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# Latin America Report

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14 January 1986

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INTER-AMERICAN AFFAIRS

CHILE, PERU ISSUE COMMENTS ON IMPROVED RELATIONS

Santiago EL MERCURIO in Spanish 1 Dec 85 pp A-1, C-6

[Text] Lima, 30 Nov--Yesterday, the vice president of Peru, Luis Alberto Sanchez, told this newspaper of his complete satisfaction with the results achieved at the meeting held by Foreign Ministers Jaime del Valle and Allan Wagner; and noted that they would bring about constructive development of relations in the immediate future.

The official remarked: "My impression is excellent. The solution to the unresolved matters should have been reached sooner, but it is never too late for the sun to come out."

He commented that, now, both nations must engage in finding solutions to their joint problems, and that everything will be based on integration, particularly for surmounting the foreign debt.

Sanchez observed: "The main thing is to have peace, so that in this way we may progress."

In this connection, he claimed that it would be beneficial if our country were to propose rejoining the Andean Pact, as a means for coping with the current serious economic situation with the neighboring countries.

Finally, he asserted: "I can now see that the future of relations between Chile and Peru, nations which should never have been disunited, will be very cordial and friendly."

Chilean Sovereignty

The Chilean ambassador to Peru, Juan Jose Fernandez, for his part, claimed to be very satisfied with the agreements reached; because in this way the entire agenda analyzed at Arica at the beginning of the month was carried out.

The diplomat claimed that our country would immediately begin construction on the projects for the neighbor nation service, as stipulated in the Treaty of 1929; which had been in abeyance, as well as the monument to Christ the Redeemer, to be erected on El Morro de Arica, which will symbolize the brotherhood of peoples. Fernandez added that all these projects will be ready sometime next year.

He emphasized the fact that Chilean sovereignty over these projects had been completely established; and hence he described the entire agreement reached as highly feasible.

When asked about the 56-year delay in completing these projects, the ambassador explained that their history dates back shortly after the signing of the treaty, when President Leguia was overthrown; which prevented reaching agreement on the construction. Then he cited the crisis of 1930, which prevented Chile from starting to modernize the port of Arica and, therefore, the construction of the projects. As he related, this was later compounded by World War II, and it was not until the 1950's, under Carlos Ibanez' administration, that the talks were resumed, lasting nearly 17 years, to agree on the features of the buildings for Peru.

He added that the plans were submitted during the Frei government, but, because President Belaunde was overthrown, and in view of the military regime that was in power in the neighboring country for 11 years, there was no mood for negotiating.

Therefore, he noted, it was not until this decade that the current Chilean government decided to put an end to this situation, and to determine the administration and operation of the mooring dock, customs offices and railroad terminal.

The diplomat told this newspaper: "I believe that the relations will be very active in the future. During Belaunde's second administration, they were cordial, frank and open; but now there will be a real, concrete, and greater essence, and many more things can be accomplished."

#### Repercussions

The front pages of all the Lima newspapers reported the agreements reached at the foreign ministers' meeting.

LA CRONICA underscores this news in large headlines, next to photographs of Jaime del Valle and Allan Wagner, and provides the complete text of the joint declaration and the assessments of the Peruvian president, Alan Garcia, on this matter.

EXPRESO also carries the headline "Peruvian and Chilean Army chiefs will meet here," while LA REPUBLICA points out: "In May negotiations begin to limit spending on weapons." EL COMERCIO devoted its main headline to the report, "Peruvian authority will administer Arica wharf," including its editorial, "Peru-Chile: important steps." In the latter, the agreements on the location of the railway terminal and the expansion of the customs office are underscored. Nevertheless, in commenting on the real estate of one country in the other, and the solutions reached, it criticizes the fact that no mention was made in the communique of the Peruvian land in Arica, known as Chinchorro.

However, informed sources told this special correspondent that there would soon be an announcement of the agreement made for Peru to sell that area to

our country. For the pertinent studies, a technical commission will be appointed which will analyze the manner in which the transfer is to be made.

#### Peruvian Foreign Ministry

Yesterday, the Peruvian Foreign Ministry submitted a statement in which it described the wire stories relating to the transfer of troops from Tacna to Arequipa as "journalistic inaccuracy."

The communique states: "The redeployment of military personnel can, in instances wherein it is possible and appropriate, constitute a positive procedure for easing tensions, within a broad context of measures that represent a resizing of the defense systems, based on new security connections resulting from the development of mutual confidence."

It adds that, for this reason, the foreign ministers of Chile and Peru resolved to start a process of consultations and negotiations "which, through concrete, progressive, rational and associated steps, would lead to the aforementioned limitation on weapons spending, fostering of mutual trust and the development of a concept of security that is in keeping with a state of eased tensions and cooperation among nations."

The note also states that, at the May meeting in Lima, the commanders of the Armed Forces will examine the methods, mechanisms and procedures for attaining this shared goal.

2909

CSO: 3348/261

INTER-AMERICAN AFFAIRS

PROPOSALS TO FACILITATE CHILE-ARGENTINA INTEGRATION

Santiago EL MERCURIO in Spanish 2 Dec 85 p C-1

[Text] Punta Arenas--Using the currencies of both countries to speed up commercial transactions, granting facilities for the mutual use of roads and ports and carrying out a joint effort to promote the area's products were some of the recommendations resulting from the Seminar on Chilean-Argentine Integration in the Southern Zone held in this city.

The event was organized by ECLA [Economic Commission for Latin America], under the auspices of the University of Magallanes. Prominent members of production agencies from both countries attended, as did business leaders and university representatives.

Among the conclusions reached after several days of debate was the need for a smooth-flowing border trade in the Patagonian region, through measures such as the use of local currency of both countries for transactions, the implementation of mechanisms for direct compensation and making the procedures for the return of foreign exchange flexible.

Also discussed was the possibility of promoting the granting of mutual facilities for the use of the highway and port infrastructure, as the case may be, in order to better meet both the national and international transportation requirements of both countries.

Finally, emphasis was placed on the importance of backing joint prospecting, promotion and participation by Argentina and Chile on the markets, to foster the products of the southern region.

Integration Is Development

The superintendent of Magallanes, Maj Gen Luis Danus, described the seminar as "a complete success," because "we are convinced that integration is development; and hence provides better living conditions. For this reason, we are backing it, and we are very happy that the seminar has been held in this region, thanks to the contributions from Chilean and Argentina universities, and ECLA in particular."

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INTER-AMERICAN AFFAIRS

BRIEFS

PERU-VENEZUELA COPPER WIRE PRODUCTION--Peru and Venezuela have been discussing at the highest level the possibility of expanding their trade to \$200 million a year and of building a wire plant in Lima, with capital from the two countries as well as the Andean Development Corporation (CAF). A delegation is visiting us for that purpose, headed by the director general for integration of the Venezuelan Foreign Trade Institute, Juan Francisco Reyes. The delegation is being supported here by Ambassador Francisco Paparoni. For Peru, the discussions are being conducted by Vice-Minister of Integration Javier Galvan; Alberto Vera La Rosa, adviser to the Ministry of Industry, Commerce, Tourism and Integration; and officials of FOPEX and the Ministry of Foreign Relations. The commercial sectors under negotiation are chemicals, iron and steel products, textiles, zinc, silver work, raw silver, polypropylene, thoroughbred horses and lumber. At the same time, work is being done on the formation of a binational enterprise under legislation of the Cartagena Agreement. The enterprise will manufacture copper wire, and will require an estimated investment of \$20 million. The Peruvian State Mineral Marketing Company (MINPECO) will participate on Peru's behalf, while Venezuela will be represented by Sudamericana de Aleaciones (SURAL). The plant will employ 800 people. MINPECO and SURAL would contribute \$2 million each, and the CAF would contribute \$12 million. The technology would be 40 percent Peruvian and 60 percent Venezuelan, according to the initial conversations. The engineering on the project would be carried out by Venezuelan companies. [Text] [Lima EL COMERCIO in Spanish 20 Nov 85 p A-15] 8926

CSO: 3348/240

CHILE

# INDEPENDENT DEMOCRATIC UNION PRESENTS POLITICAL OBJECTIVES

Santiago EL MERCURIO in Spanish 24 Nov 85 pp D-2, D-3

[Interview with Jaime Guzman, secretary general of the Independent Democratic Union, by Raquel Correa; date, time and place not given; passages enclosed in slantlines printed in boldface]

[Text] Jaime Guzman has matured. He is less tense, has a better sense of humor (he has even gained some weight), and although he is still as controversial and argumentative as ever, he is much more flexible than before. Not with respect to communism--he still has the same views on that--but he does have a much more conciliatory tone that would appear to confirm what people are saying around the Independent Democratic Union (UDI): that the UDI may become a "helping hand" between the military government and civilian rule.

He is still a supporter of the regime, "clearly supportive," he concedes, although he insists that he maintains his "independent judgment." He also contends that he is concerned about the future, like nearly everyone in this country. But he is not so much concerned about /before 1989/ as /after 1989./

"We must reach full democracy in the appropriate way, and we must choose the correct path after the military government ends," he says.

For him, naturally, the proper framework is the Constitution of 1980, but he is not frightened by the idea of reforming some of its provisions. He agrees with more than one of the "/immediate measures/" proposed by the "National Agreement."

His opinions are always a political event, especially now that so many important minutes are ticking on the clock.

In the Ghettos

[Question] Have you ever thought that you might be forced into exile in the future?

[Answer] A Christian must always be ready to think of different ways of bearing the cross that God may have in mind for him. And that would certainly



be one of the heaviest crosses to bear. That is why I have done everything within my power to alleviate the pain of people who suffer it.

[Question] The "Agreement" calls for the end of exiles. What is your position on that?

[Answer] The UDI advocates a quick and comprehensive solution to the exile problem, given that the historic justification for it has now disappeared.

[Question] Then everyone, without exception, could return? The complete end of exiles?

[Answer] The complete end. There can be no absolute exclusions in this matter. According to Article 8 of the Constitution, a person who actively pursues totalitarian and violent doctrines can have his principal political rights suspended, but he cannot be deprived of his most basic human rights.

A man who has been seen in many settings--from Quinta Vergara to the Municipal Theater, including the university, the Senate of the Republic (where he meets with the "Fernandez Committee" to study organic constitutional laws) and the National Stadium--now Guzman is also seen in the poor ghettos.

[Question] What for?

[Answer] To spread and expand a political movement that is growing deeper popular roots and needs to fortify them.

[Question] Many readers will smile at your choice of words. People think that the Independent Democratic Union is to the right of the right, that it is an elite university group, and moreover, that it is too close to the regime. These are three reasons for staying very far away from the people . . .

He is not annoyed, and responds in his usual impeccable manner, being very careful of the form of his answer and never losing sight of the basic idea:

[Answer] The facts disprove that kind of stereotype, and show that reality is quite different from the labels our adversaries try to put on us to discredit us.

He enlarges on the work the UDI (of which he is now secretary general) has done among the poor, and rejects the notion that they are received in the ghettos only "because they bring gifts."

[Answer] I wish we could come with some assistance that could halfway meet the needs of the people with whom we are working. Unfortunately, we cannot do so because we lack the economic and material resources for that. Those who do, however, have a tremendous amount of material aid of all kinds are the communist leaders; they receive it both from their party organizations and from ecclesiastical sectors. In a broad spectrum of the poor districts of Greater Santiago, these ecclesiastical groups are one of the most active and radical revolutionary agents anywhere.

[Question] What you are saying is very serious. How about some examples?

[Answer] We have received specific reports and testimony from anti-Marxist residents who have been excluded from the assistance that is delivered through the parishes, for the simple reason of their political position. In addition to that, the Marxist leaders have a broad material support base, and to a large extent they operate out of church facilities right there in the ghettos. Thus, it is clear that there is an element of practical and objective material support for all their political action.

[Question] Could you prove your accusation by giving the names of priests and parishes?

[Answer] Yes, we are making a complete survey, but we want to give the list directly to Cardinal Fresno before making it public.

Government

[Question] Tell me about you and the government. Do you still claim to be independent?

[Answer] The UDI is a movement that is independent of the government, although it certainly supports the government.

[Question] If you are supporters, why do you claim to be independent?

[Answer] Because this is a military government that calls upon individual civilians to carry out government functions, but there is no government party.

[Question] Are there any conditions on your support?

[Answer] It is a reasoned support, and it has an independent judgment.

[Question] Unconditional?

[Answer] A supporter of the government--be it a person or a movement--should not understand his mission to be blindly supporting everything the government does, just as a serious opponent should not understand his role to be blindly criticizing everything the government does. There are a lot of different ways to be a supporter.

[Question] Specifically, what would cause you to decide to leave the government?

[Answer] If the government ceased to be a real alternative for leading the country toward a democratic institutional system that could become stable over time, and if it did not adhere to the constitutional and juridical frameworks that are essential to that process. In other words, if it did not fulfill the solemn commitment made not only by the president of the republic but also by the military as an institution. But I cannot imagine such a circumstance.

[Question] Isn't it contradictory for you to claim to be independent of the government, even though you have cooperated constantly with it for 12 years?

[Answer] Both the UDI and I feel and have always felt independent of the government in our judgment. This does not prevent our being supporters of it or even participating in government efforts in certain specific areas, as in my case. Having an independent judgment implies having internal freedom, and above all exercising that freedom in private or in public, expressing one's own points of view, whether or not they coincide--on certain issues--with those that the government authorities are promoting at the time.

[Question] You advocate excluding anti-democrats from the law and openly support this government. Would you, as a constitutionalist, contend that this is a democratic government?

[Answer] This government is not and never has been a fully democratic government, given that it is a military and therefore authoritarian government. Nor is it an anti-democratic government, however, because its goal is to reach the full democracy consecrated in the 1980 Constitution. For this reason, I would define it as an authoritarian, constitutional and pre-democratic authoritarian military government. The allegation by some government supporters that it is fully democratic is not only wrong, but weakens any serious effort at defending it and the institutions it has been building; these institutions will come into full force only after 1989.

#### Constitution

[Question] You demand that the opposition recognize the Constitution of 1980. Do you or do you not agree that the circumstances under which it was approved detract from its validity?

[Answer] The plebiscite of 1980 was a pronouncement that truly reflected the thinking of the majority of the citizens, who backed the government that existed at the time. This attitude was translated into support for the constitution that the regime was advocating. Naturally, a constitutional plebiscite--under a military government--is not a perfect model of the conditions of equity that should prevail for the different positions competing in elections under democratic systems.

[Question] The fact that there was not enough debate, no voter registration, no alternatives, doesn't this all detract from its validity?

[Answer] In my opinion, it doesn't, because the basic requisites were present in sufficient number to legally validate an election of this type. Moreover, after 7 years of military government, each Chilean had undergone an experience that was too strong to be swayed by a month of propaganda or debate, which would be intrinsic to an election campaign. If the plebiscite had been won with a margin of 2 or 3 points, maybe this issue could be argued; but the margin of victory was 67 percent.

[Question] The opposition questions it not only because of the way it was approved, but also because of the way it was drafted and its very content.

[Answer] The root of the criticism of the Constitution by most of the traditional political parties and their failure to recognize it lies more in their differences with the content of the permanent articles. This disagreement follows the same lines as the divorce between their leaders and what has happened to the country's presidentialist constitution since 1925. The so-called "National Agreement" does not even specify whether it supports a presidential system of government, as proposed in the draft written by the Council of State chaired by Don Jorge Alessandri. As a matter of fact, the present Constitution borrowed that proposal almost intact.

#### Opposition Demands

[Question] This business of demanding that the opposition take an explicit stand on the legitimacy of the regime that is governing us and of its Constitution-- isn't this just a strategy to prevent, or boycott, agreements that seek a peaceful and reasonable solution for Chile?

[Answer] I make a fundamental distinction between legitimacy and acceptance. Legitimacy is a moral judgment that no one can be forced to make, from any point of view. What we are asking is that the Constitution be recognized as a reality that must be accepted, without prejudice to each person's right to propose the modifications he deems appropriate.

[Question] That is in fact what they are doing.

[Answer] In fact, they would appear to be recognizing it implicitly, when they cite constitutional norms in support of their rights in the courts. But without a more formal recognition of the Constitution, there cannot be any official or formal recognition of the authority vested in it. Various leaders of the "Democratic Alliance" still insist childishly on speaking only of Gen Pinochet, refusing to recognize him as president of the republic . . . And we are seeing that a serious obstacle in the path followed by those participating in the "Agreement" is that some of their members refuse to talk with the president of the republic . . .

[Question] And what about him? Is he willing to talk?

[Answer] I have no way of knowing, nor can I speak for him. But I assume that he has the legitimate right to demand that he be recognized as president of the republic. That is why the recognition of the Constitution has such a major practical implication, which goes far beyond the mere formal requirement. Given this situation, will they go to talk with the president of the republic, or with someone they do not recognize as holding that office?

#### Cardinal's Response

[Question] Cardinal Fresno called for a reconciliation, and a broad spectrum of political currents responded with the "National Agreement," which entails a political transition plan for now and a plan for governing in a democratic future. You have criticized this effort; what do you propose as an alternative?

[Answer] The UDI is not critical of the effort that translated into this document. It has pointed out that the moderate tone of the document and the declaration of intent that introduces it constitute a significant advance with respect to the way the "Democratic Alliance" started out in 1983. What we have maintained is that it lacks definitions of fundamental issues.

[Question] That document is an agreement, not a constitution, and its proposals are more rightist than leftist. It consecrates the right to private property, guarantees that there will be no ad hoc trials, . . .

[Answer] My criticism is that the title "National Agreement for the Transition toward Full Democracy" has been attached to something that was just a rough draft, and that they tried . . .

[Question] Do you think the name is important?

[Answer] I am referring to the fact that it was given a name that does not suggest the idea of an outline, but rather of something refined. What is more serious, it was suggested that they should immediately go out and enlist support and backing for a document that was still in the embryonic stage. That concealed the risk that a kind of avalanche might be unleashed, which would end up causing unpredictable political events that would also be completely contrary to the desires of some of the signatories. We merely asked what was the position of the signatories of the "Agreement" on key issues, which were mentioned or suggested in the document itself, though in our opinion it did not go into nearly enough detail to reveal exactly what it was advocating. The signatories themselves gave different or contradictory answers to those questions, which proved that this vague and generic pronouncement was an umbrella designed to cover people who not only had thought very differently until then, but continued to think very differently and in opposition to each other on these very issues, and therefore had not attained the minimum consensus they claimed to have reached.

[Question] Now the important thing is for you to state what the UDI proposes instead of that. It is said that you have a political plan. Is that true?

[Answer] Yes, the UDI is constantly working on drawing up plans and measures to offer both the government and the public, and we are doing that now . . . We believe that this regime has undertaken a tremendous effort to modernize the country, and the fruits of that labor can be seen in a great variety of fields. It would be tragic for all that to be lost by returning to a scenario like that proposed by the majority of traditional political leaders.

[Question] But what is your political plan?

[Answer] There are a lot of formulas. But the central objective is to incorporate that vast modernizing and progressive endeavor, correct the errors that have been made, and channel it toward the construction of a system that will provide guarantees of political viability beyond 1989, based on the enforcement and development of the Constitution of 1980.

[Question] Herman Chadwick, of the UDI political committee, told LA SEGUNDA that the program consists "first, of the rapid implementation of the 1980 Constitution; second, the prompt passage of all the political laws together, right away in 1986; and third, the implementation of the modernizations that today," he asserted, "are paralyzed." Is that the UDI's political plan?

[Answer] That is part of the approach the UDI has taken to this matter. Our alternative is much broader, and points to an overall objective: to prevent the economic crisis we are undergoing--of primarily international origin--from causing the loss of that gigantic modernizing and progressive effort that has been made. Instead, we want to project it further. For that to happen, however, the government must chart a clear and unequivocal political course, leading to an institutional and impersonal system that will be capable of allowing for a viable and full democratic coexistence after 1989.

[Question] Is it doing that?

[Answer] In our opinion, very deficiently. The effect of the economic crisis as an element in the erosion of the government's support and the uncertainty within the regime itself has prevented it--until now--from regaining the creative momentum it had until 1981. The political initiative which the government formerly had is now somewhat diluted.

[Question] In other words, would you say that the government has lost the political initiative?

[Answer] Certainly. And it is imperative that it regain that initiative.

Beyond 1989?

[Question] Do you also want the government to last longer than 1989, as Minister Cuadra proposed?

[Answer] I think the word government is not the appropriate one.

[Question] That is the word the minister used.

[Answer] The military government ends in 1989. Regardless of that, then, two completely different alternatives can happen: one, that we return to a regressive situation, which would mean totally erasing everything that has happened since 1973; and the other, that we consolidate the political institutions and economic-social modernizations that have taken place during this period. Naturally, the UDI is firmly resolved to opt for the second alternative.

[Question] Specifically, I want you to state whether 1989 is the "end of the government" or not.

[Answer] The government cannot be extended beyond 1989 without reforming the Constitution. I believe that trying to reform the Constitution in this manner would entail some very complicated problems. I do not think, therefore, that the government intends to pursue that. Our position has always been clear:

The constitutional terms should be respected. Just as we think the opposition should respect them, in that they should not try to shorten them, the government should also respect them and not try to lengthen them. And the president has just reaffirmed his position at the presentation of the credentials of the U.S. ambassador, so there is no room for doubt on this subject. We must ensure, nevertheless, that the institutional system consecrated in the permanent articles of the Constitution do last beyond 1989.

[Question] Do you support the idea that the current occupant of the presidency continue to hold that office between 1989 and 1997?

[Answer] It is impossible to say, 3 years ahead of time, whether one supports a given presidential candidate or not, especially under the present circumstances. It would depend on what that meant at the time, in terms of the country's destiny, obviously considering whatever alternatives are present . . . It would be just as irrational to claim that the objective must be to reelect the current president, as to reject the possibility of that hypothesis, per se, under any circumstances. The important thing is to know what an alternative such as the one you posed would mean at that time. And that is still 3 years away.

[Question] In your opinion, should the articles referring to the presidential succession be modified?

[Answer] Since you have brought up the matter of an eventual reelection of President Pinochet, I personally believe that if he wanted to run for reelection, he would be better off with an open and competitive campaign against one or more candidates, not a plebiscite in which people voted "yes" or "no" on him personally. In that case, the antibodies that exist with respect to any person would come into play. On the other hand, if there were other candidates, there would also be antibodies against the opponents. It would be much more advantageous for Pinochet to compete, for example, against a Gabriel Valdes, than against a ghost whom each person could conjure up to suit his own desires.

[Question] What guarantees would the other candidates, and the citizenry, have, considering that an incumbent would have the entire government apparatus at his disposal and would enjoy the backing of the military?

[Answer] These elections would be carried out on the basis of the new Public Electoral System Act, and would be supervised by the Election Tribunal that has already begun to function.

[Question] Then in your opinion, should the provisions be modified for the election of the next president, as the "Agreement" requests . . .?

[Answer] It depends. If President Pinochet does not run for reelection, I think the formula contained in the Constitution would have to be weighed very carefully before throwing it out as inappropriate. The fact that the four top leaders of the Armed Forces and the Carabineros have to propose a name to the country means that they must seek a person who, according to prior surveys and other information, will receive majority popular support. That person could

even be a critic of the present government; but if he accepts the nomination by the Armed Forces and is confirmed by the people, he would change the present orientation of the government but would not seek to bring about a break in the institutions. On the other hand, if an open and competitive election—as is inherent in a full democracy—were held immediately after the current government left office, the various candidates would fight over who is most antithetical to the outgoing military regime. And that could seriously jeopardize the stability of the future democracy.

In any case, the system designed for the presidential succession in 1989 is instrumental. If it is not ultimately regarded by the citizenry as the most ideal method, it is open to reform, because there is no principle wrapped up in it; it is merely a practical matter. But we have proven that one of the most difficult points is to find a forum and a clear issue for negotiation between a military government and the political sectors. And in the decision to choose the person to nominate as the future president, the necessary forum for debate would be present . . .

[Question] Among the commanders in chief?

[Answer] No, between them and the civilians to whom they would put the decision. That means a search for a consensus, a prior negotiation that implies, as a moderating and stabilizing influence on the future democracy, respect for the Armed Forces and a guarantee that the name agreed to would be the fruit of consensus and not a polarized election.

Before 1989

[Question] Meanwhile, don't you think it would be better for the government to promise not to enforce Transitory Article 24?

[Answer] At least as a blanket assertion, with respect to not exercising the measure of expulsion or prohibiting entry into the country, as the UDI proposed more than a year ago.

[Question] And would you advocate changing the procedure for reforming the Constitution, which is considered too rigid . . .?

[Answer] In principle, I do not oppose certain matters, especially important in a Constitution, requiring rigid mechanisms for reform. But I do believe that since the recognition of the Constitution has become such a controversial political issue, it would be worth considering the possibility of making certain procedures more flexible. I am referring to some of the Constitution's provisions for its own reform that are particularly strict, in some specific areas. If sectors that do not recognize the Constitution are being asked to give in and do so, it seems plausible that in exchange for that we might study the possibility of lending more flexibility to the mechanisms for constitutional reform as an equitable and logical quid pro quo. In fact, a quorum of 60 percent of both houses in session seems sufficient to me, and no one could call that excessive. We also proposed that publicly more than a year ago.



[Question] Another immediate measure requested by the "Agreement" is more freedom of the press . . .

[Answer] That subject seems to me more doubtful in terms of what can be feasible under a military government. Furthermore, it seems less irrelevant to me, given that there is a wide range of publications whose degree and style of opposition to the regime are very rare for a military government.

[Question] And what about eliminating the system of delegated rectors?

[Answer] I think that this is one of the institutions made most obsolete by the circumstances; this has been so for some time now. It is imperative that rapid progress be made toward a system of organic and hierarchical participation by academics in the leadership of the universities.

Helping Hand

[Question] Finally, is it true that the UDI is willing to be the "helping hand" between the military government and the signatories of the "National Agreement"?

[Answer] We have not had any request from either of them in that regard, and it would be very pretentious to take on such a role without anyone asking us to.

[Question] My question is whether the UDI would be willing . . .

[Answer] If our contribution in that regard could be useful, we would always be willing to do it.

[Question] Would the "Agreement" have to be written all over again?

[Answer] I don't mean starting over from the beginning, but almost all of it would have to be rewritten.

[Question] Would the socialists be left out? Would nothing but the right remain?

[Answer] No. I have been told that I am looking for five feet on the cat by asking that the "Agreement" be clarified. Actually, I can see only two or three feet on that cat, and I want it to have at least four before it gets going, because the consequences of a cat that has only two or three feet and is moving could be quite complicated . . . In any case, I think that indulging in great illusions about an agreement among such prominent politicians is somewhat anachronistic in terms of what the country should be, with a vision of the future. This regime succeeded in bringing an entire younger generation into public life, and with a very different perspective than that of the traditional politicians. I think it is essential that these people be brought together behind a clear political plan. What is happening is that the effects of the economic crisis and the insufficient political response by the government to the adjustments that crisis demanded, caused those who had been very active during this entire stage to withdraw from political activity, or

at least cut back on their participation in it. For example, look at those who were ministers under this regime. To my way of thinking, the Agreement would have to begin there: gathering together all the people who have been in this regime over the past 12 years, so that it can regain the initiative and its future vision.

[Question] That is another agreement . . . You would have to do it yourselves.

[Answer] Precisely. Except that it would not exclude anyone in terms of seeking minimal understandings with moderate democratic sectors--including the opposition--rather than with those who belonged to Popular Unity, from whom it is very difficult to expect any effective agreement on key issues.

[Question] More importantly, what would the purpose of such an agreement be?

[Answer] I think it must be an agreement for an orderly and peaceful transition to the full effectiveness of the 1980 Constitution, regardless of any modifications that may eventually be made in any of its precepts; but its fundamental rectifying and creative orientation would be preserved, and the timeframe set forth for the current presidential term would remain unaltered. That would also make it possible to revitalize all the economic-social modernizations that have projected Chile into the world of the 21st century in the past 12 years.

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CHILE

# CHRISTIAN SOCIAL MOVEMENT LEADER ON POLITICAL PARTIES LAW

Santiago COSAS in Spanish 14 Nov 85 pp 36-37

[Interview with Juan de Dios Carmona, former senator and minister, by Angelica Arndt; date, time and place not given]

[Text] "I am a politician who fans himself with the results of labor union elections. And what happened in the Student Federation of Chile (FECH) is undoubtedly important, but it does not reflect the feelings of the country."

This assertion is surprising, coming from Juan de Dios Carmona, a man toughened by innumerable electoral battles in a past that now seems distant. Mayor, councilman, deputy for 3 terms, senator, . . . that was how he learned to win and respect votes. And when his life-long friend and correlative Eduardo Frei named him minister of defense, economy and interior, successively, he climbed a few rungs higher on the ladder of party political power.

His activism in the Christian Democratic movement did not prevent him from dissenting, however, and he was the only one to vote against supporting Salvador Allende in Congress (1970) when his party debated the issue internally. Then came the military regime, and Carmona, an attorney, decided to cooperate by working on the Constitutional Commission that drafted the 1980 Constitution.

Today he acknowledges that the Constitution "is unfamiliar to the vast majority of Chileans," and this worries him. Although he is far from agreeing that the document consecrates what many call "autocratic presidential power," he declares that he finds it "rigid," and that he would change, for example, some provisions referring to constitutional reform to permit its modification.

In 1976, when he accepted a position on the Council of State, the Christian Democrats expelled him from their ranks. But he no longer identifies so strongly with his former political associates: "They are wrong in advocating a confrontation with the regime to bring about the return to democracy. They are suffering from a leftist complex that paralyzes any action, saps their strength and leads to failure, knowing that they do not represent the majority of the country."

He is now a member of the Commission for the Study of Political Laws, and some point out the irony of a legislator who continues to reaffirm his "democratic vocation" every chance he gets, while he adapts to a lack of legislative transparency that is essentially "anti-democratic."

Absolutely Necessary

[Question] Do you feel that Chile is a nation at peace today?

[Answer] I think it is absolutely necessary to progress toward democracy, and in that way we would be able to begin a stage of much greater pacification.

[Question] In an interview with COSAS, you contended that it was necessary for "civilians to have access, without fear and without red tape, to a certain amount of participation in the formulation of the country's political life." What, specifically, would you suggest to promote that?

[Answer] I reiterate that at this time, it is absolutely necessary that we dispatch the law on political parties. It is absolutely necessary to establish a system for participation by the community and intermediate organizations of society; there is a principle and constitutional norms that govern this area. It is absolutely necessary that we proceed to form the municipalities and the regional development councils. I favor stepping up the institutionalization of the Economic and Social Council. I believe it is absolutely necessary to have more civilian participation at this time. I demand it, I support it, and I maintain what I have been saying for some time in this forum about this issue.

[Question] Do you subscribe to the provisions of the National Agreement?

[Answer] Only to a certain extent . . .

[Question] What do you object to?

[Answer] I object to a lot of things that are really procedural matters. I sincerely believe that they should not have tried to claim or assume that they had the consent of those who were the leaders of the Popular Unity government. If those people wanted real progress toward democracy in Chile, they should have made the sacrifice of not participating, much less raising their voices at this time, because no one believes that they have converted to democracy overnight. I think this is a very important issue, especially when it comes to bargaining with the government in the near future.

[Question] In other words, you do not credit any leftist who might visualize Chile's future in a framework that does not contain the errors of the past?

[Answer] As a Christian, I certainly have to believe those who repent . . . But when I read the statements, for example, of Briones, Maira and others, I see that they are the same things they said during the Popular Unity government. They are using the same tactics, trying to reach agreements so that they can turn around and do the opposite. They do not believe in democracy as a goal that must be achieved right now and that we must all agree

upon. The country will suffer the most serious misunderstandings if each person continues to believe in his own utopia. We will never achieve coexistence that way. If, on the other hand, we had more open and pragmatic parties that had room for promoters of ideas, those parties would be able to bring about a national consensus very effectively right now.

[Question] But if we had had a flexible, open government with all the characteristics you demand of a party . . . Don't you believe that an example must be set in Chile now, and that that example has to come from those in power?

[Answer] You are asking a military government to function like a political and civilian government. That is precisely one of the points I believe the National Agreement should have taken into consideration! It should have started by determining what relations exist between the civilian and military spheres in Chile at this time. Unfortunately, we have been in isolated compartments, not just since 1973, but for a long, long time. The problem is quite deep-rooted, and in that regard the civilian must understand the nature of the regime and not expect a military government to behave like a civilian government, as your question implies. I think we will not make any progress if we do not grasp that fact.

[Question] But, on the other hand, don't you think that the military regime that has been governing the country for 12 years has a duty to realize that it is governing for civilians?

[Answer] There is no doubt whatsoever that it is governing for civilians; so we civilians simply have to try in every way possible to reach an understanding: first among ourselves, and right now the first step taken in the National Agreement is a positive development; and secondly, we must know what to do with that agreement. The big problem those who signed it face is that they don't know what to do with it, when actually they should try to relate to the military government, as should have happened from the first day.

[Question] But in whose name will they speak, if the parties are prohibited?

[Answer] The parties are not prohibited, because they are functioning; they are not being overseen, and they presume that they have a great platform in public opinion, when no one really knows whether they do or not. This situation in fact allows them to live just as they did in their heyday.

[Question] Many believe that only the communists are living as they did in their heyday, because they are adept at operating underground, and essentially they are the only ones who are in good shape right now. The student elections are proving this, aren't they?

[Answer] I am the one who battled the most fiercely for that. I am one person who has been able to talk, and in the many statements I have made during nearly 13 years, you will always find a constant, and that is that one of the first political laws that had to be promulgated was that of the political parties. I think that those of us who preferred the legal route to

the violent route have been the victims of discrimination; we are seeing that now.

#### Rectify Transitory Provisions

[Question] Don't you believe that the Constitution of 1980 is becoming a wall dividing Chileans?

[Answer] No, . . . What I do believe is that the transitory provisions of the Constitution are very rigid. There is a very great confusion about that . . .

[Question] Who drafted those transitory provisions?

[Answer] They were added in the Junta. We drafted some transitory provisions in the Council of State, but they did not last. There are some transitory provisions that would undoubtedly have to be rectified to establish the appropriate environment for a transition to democracy. The Constitution of 1980 could pass any legal test with flying colors, and might even receive an applause for some of its parts.

[Question] The problem is that this Constitution appears to have been made to order for a president who is governing on the basis of force, because otherwise there are things that will not work in a true democracy. Let's look at the details: Before 11 September 1989, by unanimous vote, the three commanders in chief of the Armed Forces and the . . .

[Answer] You are talking about an aspect of the Constitution in which I did not participate. I don't like that norm either . . .

[Question] But in fact, the norm exists, and it must be enforced. So the Junta must unanimously propose a single person to the country, to serve as president from 1989 to 1997. I ask you, is it easy to select a single name? Why place the Armed Forces in such a difficult position? And what if the country continues to suffer from violence and anarchy?

[Answer] Unless we began a period of talks, in which we could make progress on certain issues, unless there were a real willingness to engage in dialogue.

[Question] There have been a lot of attempts at dialogue here, and to the extent that they fail, who benefits?

[Answer] There has been just one attempt at dialogue, and it failed because of the response of the opposition, which was totally absurd, to put it mildly. For example, they demanded the resignation of the president, the renunciation of the Constitution, and the formation of a Constituent Assembly, all on the first day of the dialogue . . . That's crazy! Foolish!

The communists do not want a democratic process for Chile, because they want a process that will enable them to Nicaraguanize Chile. We should be very aware of this situation, once and for all. The state of siege happened because of recurrent violence at all levels. During that era, the opposition was incapable of maintaining a firm hand and ending the violence so that a

peaceful dialogue could be undertaken, which would have given it tremendous moral strength. That is the path that Chile has not tried, and I am tired of repeating it. It is an unprecedented path, one that no one has wanted to try because we have preferred conflict and confrontation.

[Question] Don't you also agree that it is unprecedented for the top officials of the Church to take the initiative in getting the National Agreement started? Because there can be no doubt of Cardinal Fresno's good intentions . . .

[Answer] No, I do not doubt the cardinal archbishop's good intentions, but I do believe that he has done things poorly, though not intentionally . . .

[Question] If we start by conceding that the government has had and continues to have problems, . . . let us say, problems of communication, as you maintain, because it is a military regime which uses strategies and tactics with civilians who behave differently; then, we had here a prominent person with a positive attitude who wanted to start from a new point, and yet that person--let's forget about the circumstances--was not accepted by the government either. The fact that the Church took the initiative was really an act of salvation, because the politicians had already failed on their own. And what's left?

[Answer] That dialogue failed precisely because some people approached it very ineptly. No one would doubt the cardinal's good intentions, least of all I, but it is true that in his recent efforts certain important omissions were made from the very beginning. Aside from any differences there might be with the Agreement, there are differences with respect to the way the issue is being set forth: People are being urged to join something that is just a beginning, and everyone knows for certain that to bear fruit it must be modified; nonetheless, we are told: "If you do not agree with this that means you repudiate it." I do not repudiate the Agreement, but I do not accept its rigidity, and I want to say a few things: We belonged to a few organizations or political forces that the cardinal outright failed to consider. Secondly, there is a refusal to recognize the Constitution, as well. I am not claiming they should adopt it in its entirety, but they should accept it so that it can be modified . . . There is no government in the world that can begin to deal with an issue when it is told that the Constitution to which it owes allegiance is no good. And for God's sake, it is good that the military feels obliged to obey this Constitution! They know that the military government will end and that a democratic system has to begin functioning, and it is good that the first obligation they have is to submit to it, that they feel they are its captives in the end. Finally, if they want to deal with the government, why haven't they even delivered the Agreement to it?

[Question] But it is a petition made by a group of citizens in public. Many governments receive public petitions. Do you think Mr Garcia would receive the Agreement to take it to the president?

[Answer] He certainly would. I think that there is the error. Sure he would receive it. But no one wants to take that step, because they don't want to be seen having any contact with the government.

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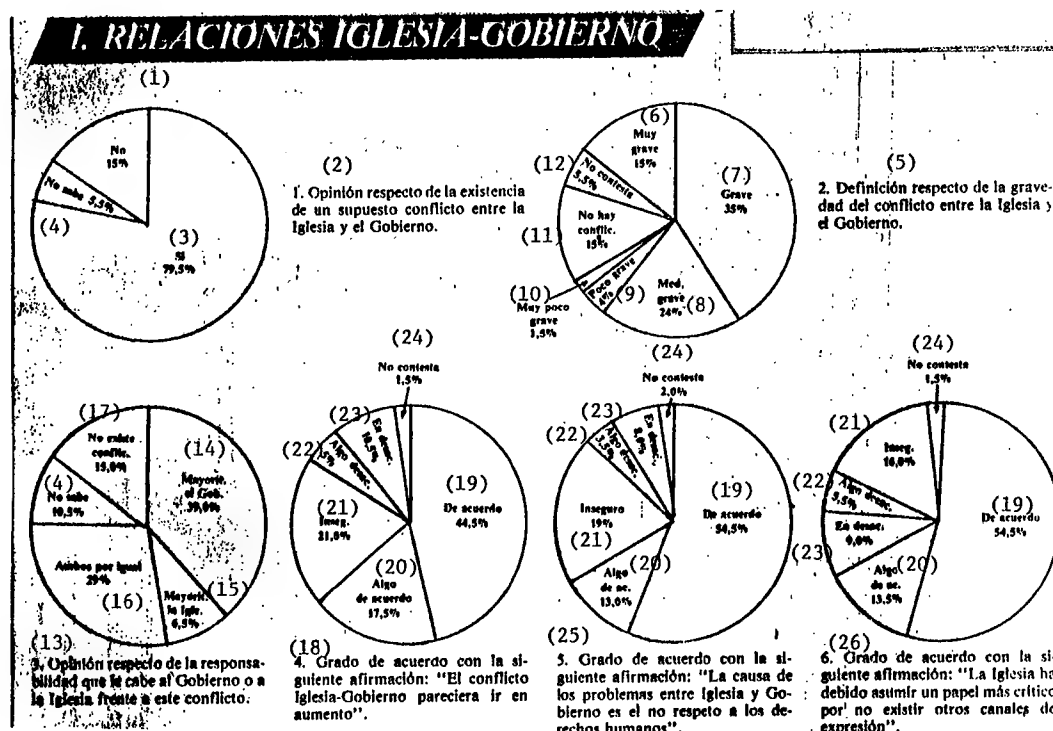
# PUBLIC SURVEYED ON CHURCH-STATE RELATIONS

Santiago QUE PASA in Spanish 28 Nov 85 pp 47-48

[Excerpt] Methodological Public Opinion Poll

The public opinion poll was taken by ADIMARK during the first 2 weeks of October 1985.

The sample is of the probabilistic type, covering persons over age 18 residing in Greater Santiago households. Both the households included in the sample and the specific person in each household responding to the interview were selected using an aleatory method (at random), based on internationally accepted systems for this type of study. The total sample amounted to 200 persons. No a priori quotas of any kind were set.



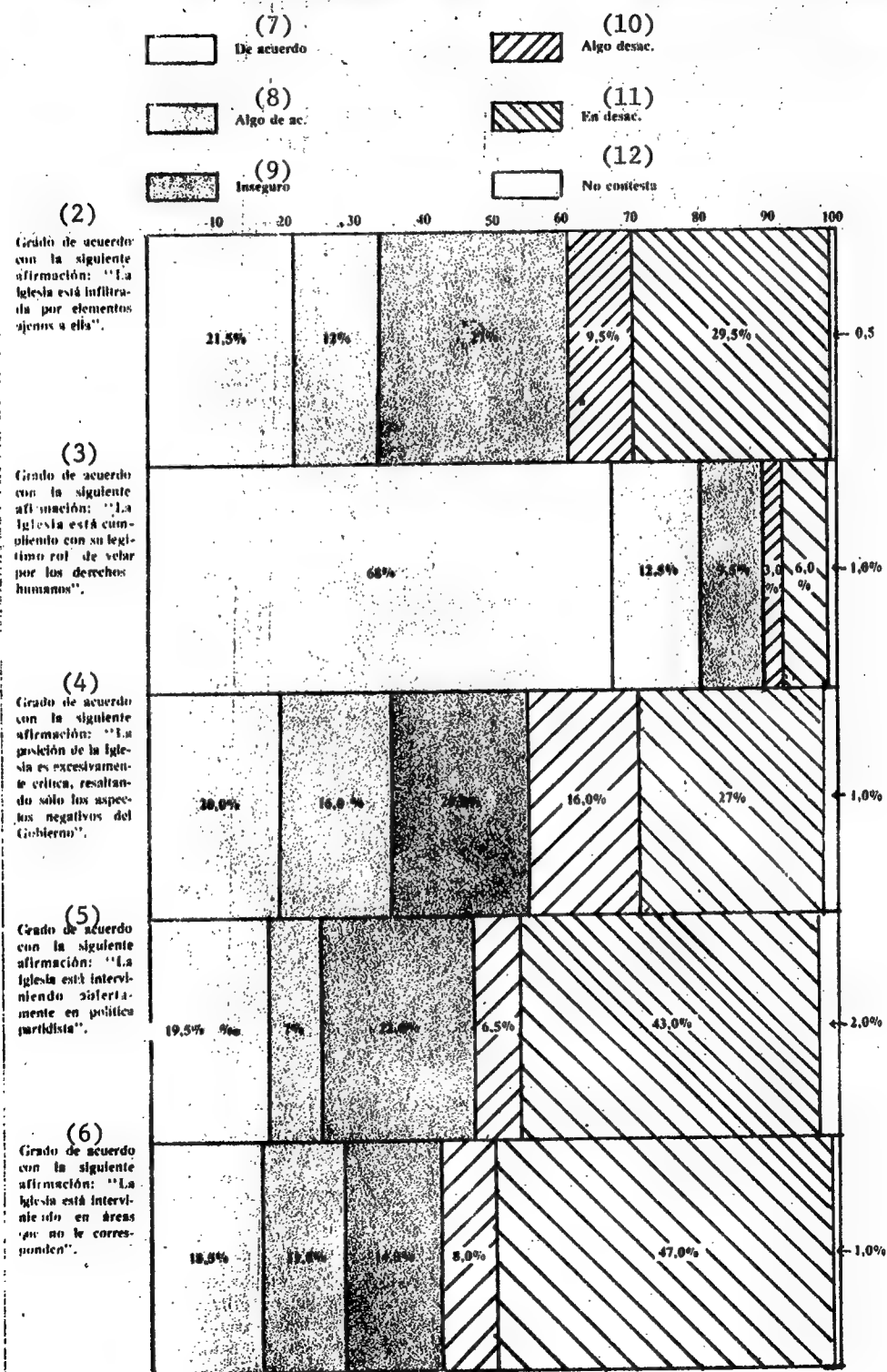


Key to Chart 1:

1. Church-Government Relations
2. 1. Opinion on the existence of an alleged conflict between Church and Government
3. Yes
4. Don't know
5. 2. Definition of the seriousness of the conflict between Church and Government
6. Very serious
7. Serious
8. Moderately serious
9. Not very serious
10. Not at all very serious
11. There is no conflict
12. No answer
13. 3. Opinion on the responsibility borne by Government or Church for this conflict
14. Mostly Government
15. Mostly Church
16. Both equally
17. No conflict exists
18. 4. Extent of agreement with the following statement: "The Church-Government conflict would appear to be heightening"
19. Agree
20. Agree somewhat
21. Unsure
22. Disagree somewhat
23. Disagree
24. No answer
25. 5. Extent of agreement with the following statement: "The cause of the problems between Church and Government is lack of respect for human rights"
26. 6. Extent of agreement with the following statement: "The Church should have assumed a more critical role, since there are no other channels for expression"

(1)

## II. JUICIOS VALORICOS SOBRE LA IGLESIA



Key to Chart 2:

1. Value Judgments Concerning the Church
2. Extent of agreement with the following statement: "The Church is infiltrated with elements alien to it"
3. Extent of agreement with the following statement: "The Church is playing its legitimate role as a guardian of human rights"
4. Extent of agreement with the following statement: "The Church's position is too critical, stressing only the Government's negative features"
5. Extent of agreement with the following statement: "The Church is overtly participating in partisan politics"
6. Extent of agreement with the following statement: "The Church is participating in areas which do not pertain to it"
7. Agree
8. Agree somewhat
9. Unsure
10. Disagree somewhat
11. Disagree
12. No answer

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CHILE

## TEMUCO CATHOLIC UNIVERSITY STUDENTS GIVE POLITICAL OPINIONS

Santiago CAUCE in Spanish 12 Nov 85 pp 11-12

[Interview with Jorge Saquel, Francisco Munoz, and Manuel Vallejos, president, vice-president and secretary of the Federation of Catholic University Students, by Juan Jorge Faundes]

[Text] Temuco--Temuco is the seat of one of the most combative university student movements in southern Chile. Specifically, the movement is located on the campus of Catholic University.

Last September some 500 youths formed a long line right in downtown, across from the Court of Appeals. They stayed there during the entire court session, from 1030 to 1600 hours. They entered and left one by one. Their purpose was to deliver personally documents in which they claimed responsibility for participating actively in the day of protest on 4 September and demanded that they be arrested and held just like several other university students who were jailed under a government regulation.

"We were demanding that they be released unconditionally, because if we had not committed any crime by doing the same thing, then they had not done so either. Otherwise, we should all be jailed. After our action, the magistrate who was conducting the trial rescinded the arrest warrants and released them."

In addition, to express their solidarity with the university students, union members and social leaders who are imprisoned in Santiago, accused by the government of being responsible for the day of protest last 4 September, the students of Catholic University of Temuco staged a 12-day strike. The strike lasted a week after the release of the students. "We tried to show the dictatorship that the unity between workers and students would not be broken by the ruse of lifting the order only for the students."

During those 12 days, the youths at the university in Temuco held marches to the Regional Intendency, as well as cultural events and meetings on campus.

In August, the authorities of Catholic University named a new director for the Tamuco campus, Prof Yosuke Kuramochi. "Then we took over the university. The very day of the change in command. That time we mobilized against the procedure that had been used to designate the new director, not against him

personally. We regard Prof Kuramochi as an excellent academician, as well as a humane person who understands our problems. We are happier with him than with his predecessor. But by taking over the university, we tried to show that we favor the democratization of the universities. We are for the participation of academicians and administrators, but also of students, although the latter would play a minority role."

Who are the members of the university student movement of Temuco, and what do they think? What is their view of national events?

We talked about this with Jorge Saquel, Francisco Munoz and Manuel Vallejos, the president, vice-president and secretary, respectively, of the Federation of Catholic University Students (FEUC) on the Temuco campus.

#### Socioeconomic Situation

In Temuco, a city of 220,000, the university students number 7,000. There are just over 5,000 at the Border University (former regional headquarters of the University of Chile), and 1,700 on the Catholic University campus.

"We have the lowest socioeconomic indicator of all the campuses of Catholic University," they said. "In addition, 67 percent of the students come from other provinces of the country. We even have fellow students from Antofagasta and Punta Arenas. That is why some of the most serious problems the students face here are food and shelter."

True, the university grants scholarships, but they are not enough. Moreover, according to the youths, they are distributed unfairly.

"We are all charged the same fee, both in the provinces and in Santiago. But there are big differences in the amount of the scholarships if we compare Santiago to Temuco. In Santiago the residence grant totals 7,000 pesos, and the food grant amounts to 4,500 pesos. Here in Temuco, on the other hand, the residence grant totals 2,500 pesos and the food grant 2,000."

That is why the 12-day strike called not only for the release of the jailed students and union members, but also included a series of demands in which FEUC-Temuco urged an increase in the amount of the residence and food grants, funds for the clubhouse and student houses, and improvements in health care.

"After making these demands, we even went to Santiago, where the rector is. But the only response he gave us was that the solution was out of his hands. That is why we are now making these demands to the Ministry of Education."

#### End of Dictatorship

FEUC-Temuco, which has enjoyed widespread support for its mobilizations among the student body, since the principal mobilizations are decided upon democratically through plebiscites, is certain that the solution to the students' current problems and demands lies in the end of the dictatorship of Augusto Pinochet and a return to democracy in Chile.

"First of all, as the rector told us, the solutions are not within the power of the university, but that of the Ministry of Education. And the Ministry of Education follows the policies dictated by Gen Pinochet.

"Secondly, we are absolutely certain that all the problems within the universities could be solved, would begin to be solved, with a change in the system at the national level. We know that democracy is not a magic wand. But we are also aware that with the advent of democracy and the concerted effort of everyone, a process of solutions could begin.

"That is why," add the student leaders, "we in FEUC signed the National Agreement for Transition to Full Democracy. We see the National Agreement as a conduit, a very important step as a consensus of the forces of the center-left and the organic forces of the right. We believe that the Agreement should join together all the forces that oppose the regime."

[Question] The Popular Democratic Movement (MDP) as well?

[Answer] The MDP has already given its response to the Agreement. They would sign it with respect to the implementation of the immediate measures. We believe that is a step forward. We hope that the comrades of the MDP will sign the document as a whole.

The leaders of FEUC-Temuco described themselves as Christian democrats, both activists and sympathizers. We asked their opinion of the role that the Communist Party should play in the future democracy.

"We believe that now, in the struggle against the dictatorship, we should all be united. From the Communist Party to the democratic parties of the right.

"In the future democracy, it is also very important for them to be present. They represent a sector of the country that also has a right to express itself. That is the way democracy works. The key is for all parties to follow the rules of the game of democracy, and for anyone who violates those laws to be duly sanctioned, also according to the rules of democracy.

"We believe that ideas should be confronted with ideas. We do not agree with the exclusion of the Communist Party because it is a form of repressing ideas, and we cannot countenance that."

#### Violence Strengthens Pinochet

[Question] What do you think of the Manuel Rodriguez Patriotic Front and of those who, like them, proclaim the value of armed actions to put an end to the dictatorship and return to democracy?

[Answer] Clearly no kind of violent action, no matter where it comes from, will aid the return to democracy. We believe that demanding democracy through armed confrontation is just one more way for Gen Pinochet to perpetuate his power. Hence the value we see in the National Agreement, in which many sectors had to give up legitimate interests and positions in order to join together.

[Question] Andres Zaldivar wrote a few days ago in EL MERCURIO that Chile is now in a similar situation, although with a few differences, to that which preceded the fall of Somoza in Nicaragua. He was referring to Pinochet's rejection of the civilians' agreement, supported by the Church, which could justify an armed struggle against a dictatorship that refuses to engage in dialogue and negotiation. What do you think?

[Answer] It is true that we are running out of peaceful means of struggling for a return to democracy. First there was the failure of the so-called political liberalization. Now Pinochet refuses to accept this National Agreement, which is supported by Cardinal Juan Francisco Fresno. We must acknowledge that after this, there are not many peaceful ways or means left to achieve the end of the dictatorship and the return to democracy. Nevertheless, we feel that the historical, social and cultural contexts of Chile and Nicaragua are very different. We have a different political culture, because we had a democracy for 120 years.

"We Have Lived under a Dictatorship"

[Question] How do you explain the fact that you, who were mere children the day of the military coup, are now struggling for a democracy you never knew, but only understand vicariously through books or other people's experiences?

[Answer] We spent almost all of our childhood and youth under a dictatorship that has not allowed us to think freely or to express our opinions freely. Neither in secondary school nor in the university have we been free to elect our own leaders. But we could see our fellow students suffering from hunger, with problems of food and shelter, and many of them were the children of workers and the unemployed. Then the Chilean Anti-Communist Association (ACHA) in January of last year killed our comrade in basic education, Manuel Melin. Then all these things began to come together, and some began to develop a critical consciousness. Then meetings were called, and we discussed and analyzed these problems with our fellow students. More and more people began to join the ranks, and finally we had a strong and well-developed student movement such as this. That is why we now believe that the important thing is to fight for a democracy without labels, one that unites the opposition to the dictatorship now, and that can continue growing in the future when we are given a chance to lead the country.

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CHILE

# CONSERVATIVES OBJECTED TO APPOINTMENT OF NEW U.S. AMBASSADOR

Santiago COSAS in Spanish 14 Nov 85 pp 12-13

[Interview with Genaro Arriagada, Christian Democratic leader, by Angelica Arndt; date, time and place not given]

[Text] The English expression "one man orchestra" describes a person who could wield the baton and also play the piano, flute and drums in an orchestra. In other words, a multi-faceted person. That is how I see Genaro Arriagada when he talks of his activities as an academic researcher at the Economic Research Corporation for Latin America (CIEPLAN), a radio executive at Radio Cooperativa, an executive at Editorial Aconcagua, a politician and ideologue at the head of the Christian Democratic movement, an author of books and essays, and an amateur journalist when he wants to convey his thoughts more directly to the public. He is a soft-spoken, kind, relaxed man with an alert, penetrating and intelligent gaze. His profound knowledge of the most important issues, all bound together with the subtle thread of politics, enables him to discuss matters such as national security or insurrection with unique clarity. When the subject of relations between the United States and Chile came up, Genaro Arriagada seemed to be the appropriate person to interview. He is not unknown in the intellectual and academic circles of the United States, where he spent a year as a fellow at the Woodrow Wilson Center engaged in postdoctoral studies. He has given lectures at the universities of Yale and Princeton; and Harvard, the intellectual mecca of the East, published his essay titled, "The Ideology of the Military in the Southern Cone."

[Question] From a broader perspective, will the anti-communist struggle of the Chilean government be seen in a favorable light by the Reagan administration?

[Answer] In U.S. society there is a clear awareness of the monumental error that was McCarthyism. Senator McCarthy claimed in the early 1950s that his country was threatened by a communist plot, and the anti-communist struggle was actually used as a pretext for committing crimes against individuals. Censorship was practiced, intellectuals were persecuted, and all kinds of abuses were perpetrated. So it is difficult for the United States to understand, at least within the context of its own society, what is involved in the kind of anti-communist struggle that is being waged in this country.



[Question] Do you believe that the U.S. Government does not understand what is happening in Chile, or simply does not care?

[Answer] In general, governments tend to use a double standard, in the sense that in their national policies they are very protective of certain values that they trample in their international policies. This dichotomy can be found in the case of the United States. Now, the problem the United States has with the Chilean Government has numerous facets: First, they raise the banner of human rights, which they do not use to bother Pinochet but to wield against the Soviet Union to serve a "real politik" objective. Thus, if the U.S. Government denounces the violation of human rights in the Soviet Union and the Eastern European countries, it must also be harsh in condemning the violation of human rights by right-wing dictatorships, because otherwise its policy would be morally inconsistent.

[Question] But in fact, such is not the case . . .

[Answer] Of course it isn't, because unfortunately, during the first Reagan administration the United States applied a double standard; it was very hard-nosed in condemning human rights violations in the socialist world, while adopting a discreet "quiet diplomacy" with regard to violations committed in other places.

End to "Quiet Diplomacy"

[Question] Would you say that relations between the United States and Chile have chilled recently?

[Answer] Two stages can be discerned in the Reagan administration: The first, which I would say coincided almost completely with his first term, lasted from 1981 to 1984. The Chilean Government was accorded extraordinarily favorable treatment at that time, because policy was influenced by Mrs Kirkpatrick, and because there were people who were very sympathetic to the Chilean Government despite a certain concern for what they termed "its excesses" . . .

[Question] Jeanne Kirkpatrick says that dictatorships are reprehensible but inevitable . . .

[Answer] She makes a distinction between totalitarian and authoritarian regimes . . . and naturally, according to that perception, she contended that a totalitarian regime such as that of the Soviet Union could not be regarded the same as an authoritarian regime such as Chile's, which would eventually move toward democracy. Consequently, there was a justification for treating the Chilean Government differently; deferentially. So if one looks at that era, one finds Jeanne Kirkpatrick; a man such as Tony Motley, who was deputy secretary for Latin America and was clearly sympathetic to the Chilean Government; and in the U.S. Embassy in Chile a highly conservative intellectual such as James Theberge. That was a time when the Chilean Government had a very good opportunity to maintain good ties with the White House.

[Question] Even though the certification did not come through and the arms embargo continued . . .

[Answer] The lifting of the arms embargo had to be decided by Congress, so it was difficult or even impossible. But I think that at a given moment, the U.S. Government believed in the success of its policy during the liberalization period, and despite that failure, throughout the following year the U.S. Embassy continued to urge cordial relations with the Chilean Government in the sense of not pressuring or bothering it. Obviously, the situation changed in late 1984 and early 1985 . . .

[Question] With the state of siege?

[Answer] The effect of the state of siege was to do away completely with the "quiet diplomacy."

[Question] What significance did the replacement of Motley with Abrams have?

[Answer] As he stated openly, Motley fully believed that the Constitution of 1980 should prevail in Chile. As for Elliot Abrams, he is a man who in the past has expressed profound concern about the handling of basic human and political rights by the Chilean Government. In the context of this change, Ambassador Theberge also left. He is known as an arch conservative in U.S. academic circles, and was replaced by a top-ranking career diplomat. . .

[Question] What do you know about Ambassador Barnes?

[Answer] In March 1985 I was in the United States at the invitation of some academic institutions. At that time, the press was covering the controversy between Motley and Elliot Abrams, who was deputy secretary for human rights. Abrams and some liberal elements within the State Department were pushing Harry Barnes as ambassador to Chile, while Motley, Senator Jesse Helms and other conservatives of the U.S. "establishment" were requesting that conservative Thomas Aranda be named (I think he is now ambassador to Uruguay). That dispute spilled out into the press, so it is known that Barnes' nomination was opposed by the most conservative groups, who consider him too liberal for Chile.

[Question] Now, what does it mean for a U.S. ambassador to come from India, which I understand is the fifth or sixth most important and prestigious embassy, and go to Santiago, Chile? Does it mean that Ambassador Barnes is being given a less important assignment, or that Chile and its problems are being given greater importance?

[Answer] There is no doubt in my mind that this is in no way a "capiti diminutio;" rather, I would say that the Chilean regime has become a source of profound concern for the Americans, who through bitter experience have learned that nothing can be more favorable for the development of the Communist Party, for the establishment of a zone of East-West conflict, or for the development of a prolonged guerrilla war, than a right-wing military dictatorship.

[Question] With respect to the American conservative groups that are changing their minds about the Chilean Government, one intellectual who was in Chile and made many studies of our country is Mark Falcoff. He has written a major article that was published recently, and there he points out that Chile's life is practically at stake, and that if things remain the way they are, it will almost inevitably fall into communist hands.

[Answer] Well, Falcoff is a very interesting case. First of all, he is a very intelligent and honest conservative; he is a researcher for the American Enterprise Institute and has written quite a bit about Nicaragua and the fall of Somoza. I find it interesting that this man, who has also written about Chile and has spent time here, who knows about the Popular Unity experience and has written uncompromisingly about Salvador Allende, believes that the policy of the current government is an error from top to bottom in its treatment of the Communist Party problem. It is also interesting that he should warn that this government is leading us to make the communist threat a reality.

[Question] What do you expect Ambassador Barnes to do?

[Answer] All my life I have opposed any kind of intervention; I think that there should be respect for the sovereignty of nations, but I also think the world should be a community based on respect for certain values, basic human rights, basic political rights. And this becomes a problem for the United States, in this sense: If it claims that its policy is based on the promotion of certain values and that it wants those values to be respected in Poland or Cuba, then obviously it must also be concerned about Chile.

#### American Contradictions

[Question] Some American experts criticize the Reagan administration for not having a specific policy on Latin America. Do you agree with them?

[Answer] Early in his administration, President Reagan did not have a policy on Latin America as a whole, but rather on specific areas. U.S. officials focused on a problem in the Caribbean, a privileged relationship with Brazil, Venezuela, Mexico and to a lesser extent Argentina, and they did not care a great deal about the other countries. In Chile's case, extraordinarily contradictory signals were sent. On the one hand, Elliot Abrams expressed his concern for human rights, while on the other hand Motley pointed out that the country "was in good hands." This dual situation was quite beneficial to the Chilean Government. Now, my impression is that as of this year, we have had a different situation in which the U.S. Government is beginning to express very serious consternation about what is happening in Chile.

[Question] What real influence does the United States have on Chile at this time?

[Answer] The difference between a colony and an independent country is that in a colony, the dominant power changes the governments at will, and I am proud to say that this country is no colony. The United States does not have enough influence on Chile to change its government. . .

[Question] Looking at all the possibilities of what can be expected for Chile, our government, and the U.S. authorities, do you believe that things could be different if Reagan is succeeded by a Democratic president?

[Answer] Experience shows that the Democratic administrations are sometimes more interventionist than the Republican ones. I hope that Chile's problem does not get out of hand and have to be solved by anyone other than ourselves. And the great risk inherent in this increasing polarization is that many people may be interested in sticking their fingers in the pie. I do not want us to suddenly come up against guerrillas financed by a foreign power on the one hand, while on the other hand we have intervention by conservative military elements in the United States, actively striving to keep the army in power.

[Question] How would you address the new U.S. ambassador? What warnings would you give him about errors or omissions in the past?

[Answer] The first thing I would tell him is that one hopes that the United States will have a consistent policy. If its policy is to talk business, then let it discuss business here, in Nicaragua, in Afghanistan, and in Poland. Let it trade with everyone, regardless of who they are, but let it treat everyone equally. On the other hand, if the U.S. policy has any ethical content, let it be true to the values and principles it claims to uphold. I think that being consistent with those principles is an obligation in the context of a policy that claims to have a moral foundation. And that is the United States' problem, not ours.

[Question] How would you describe Chile's situation to Ambassador Barnes?

[Answer] Chile's great tragedy is that we have a government that is very strong in terms of its control of state power; it has strong backing from a united, obedient military that does not get involved in political matters; whatever conflicts exist within the government are minor, more a question of dislike than conflict; and there are no disputes between the branches or functions of the government. So, from the state's point of view, the regime is very solid. The problem is that if one leaves public buildings and goes out into the street, one finds a situation that reveals how isolated the government really is; if one looks at the political parties, everyone from the nationalists to the leftists is in the opposition; among students, the government does not exist as a power; among professionals, the same is true; in the labor movement, it does not exist as a power. If one looks at what has happened with the Catholic Church, an institution with a tremendous moral power, one sees that in 2 years the government has entered into a conflict with the Church that is totally unprecedented. Thus, we have a government that is firmly entrenched in the power of the state and the power of the army, with an opposition that is winning control over the social movement; its international isolation is more serious than ever before; the new beginning of the first Reagan term was wasted and a distancing is now taking place; and the alienation of European governments is very strong. In view of these circumstances, I see an extremely difficult situation for the country in the near future.

[Question] And what would you say about the National Agreement? That it failed?

[Answer] I would say that here, in the opposition, there is always a tendency toward sadomasochism, shall we say, or self-destruction, and everything fails. But if in November 1983 one had said that it would take 24 months for everyone from Lucho Maira or Carlos Briones to Francisco Bulnes and Andres Allamand to sit down at the same table, people would have said it was impossible. And that has happened in 2 years. So for me the National Agreement represents a long process, a willingness to join together despite differences, in the search for an honorable solution for everyone. The National Agreement will inevitably have its ups and downs, but it is just a stage within a process that began long before the National Agreement was signed.

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CHILE

# STUDY ANALYZES POLITICAL, ECONOMIC ASPECTS OF SANTIAGO SLUMS

Santiago MENSAJE in Spanish Dec 85 pp 502-505

[Article by Eugenio Tironi; passages enclosed in slantlines printed in boldface]

[Text] Like a rite that has attained almost sacred inevitability, the city of Santiago is periodically racked with outbreaks of violence and repression in the slums that surround it. When night falls (with the darkness reinforced by strategic outages), it looks as if a monster has awakened and no one can ignore its presence. The military and police forces sometimes try to intimidate it, but they concentrate their efforts on containing its propagation, confining its mobility to the perimeter. It must be noted that the objective in South Africa is no different: to prevent the uncontrollable unrest of the blacks, forced to live in homelands from which they cannot leave without authorization, from spilling over into the white-only zones and endangering the apartheid system.

In Santiago, however, the "protest" sometimes manages to cut off the highways that link the city to the rest of the country, and even access to the international airport is uncertain on those occasions. At such times, the entire society is shaken by the specter of the slum-dwellers. Held captive by conflicting sentiments, ranging from expectancy to fear, the people return silently in the evening to take refuge in their homes, furtively observe the almost ceremonial actions of the youths, prepare for the moment when the power will be shut off, and await the new day, when the rite will have ended and the residents will return to their forced anonymity.

The "agitation in the slums" (the euphemism with which the press has dubbed it) undoubtedly poses one of the greatest challenges to the prevailing social order, and to any that can be imagined in the future. The regime's attempt to establish a social regulation based on the freedom of the market put a brutal end, offering nothing in exchange, to the processes of integration and social mobilization that had been developing gradually in Chile over almost a third of a century. The turbulence among slum residents reveals the exclusion that the poorest Chileans feel, their indignation at being stripped of their civil rights, and their sense of impotence (especially among the youngest) in the face of the discrimination to which they seem to be doomed.

Behind this phenomenon, then, there is much more than "political agitation," as some people try to argue. For this reason, an agreement among political party leaders will not put a stop to it, although this might be a factor contributing to its elimination in the long run. In other words, the neo-liberal contractualist illusion cannot be replaced with another of the same ilk: that social cohesion will automatically result from the conclusion of a political pact. The specter of the slum-dwellers has the invaluable virtue of making Chileans see in their daily lives the problem of the sociological conditions of democracy, or to put it differently, the burning question of social integration.<sup>1</sup>

Based on this type of reasoning, a few months ago we began an exploration of the urban ghettos, asking ourselves--in a slight contradiction of the accumulated evidence--whether it is possible to speak of slum dwellers as a social actor.<sup>2</sup> It was certainly not a question of adopting a voluntarist approach. On the contrary, nothing is further from our spirit than the populist mythology that regards the "people" per se as a social protagonist which even has a conscience. The results of the research are still preliminary and partial. Still, we can venture some remarks about the "assertive" and "community" orientations of what, by convention, we will continue to call the slum-dwelling population. We would especially like to note how the clear differentiation of this population is itself proof that there is no social actor in this sphere.

#### Frustration of Slum Leader

The first thing that captures one's attention is a kind of "slum leaders class," which is overcome with frustration today because it feels both deprived of influence (compared with the public powers and the political parties) and abandoned by the people, the rank and file slum dwellers.<sup>3</sup>

This has been true of leaders for many years (in the labor union, the Neighbors' Council, the JAP, the Debtors' Committee, . . . ). Leadership is not a temporary condition, but an ordinary activity that involves profound personal motivations. The leader regards this condition as a vocation identified with the "development of the community," not with politics in a partisan or ideological sense. Despite the misunderstandings, the leader does not want to abandon his function because it gives him access to a modest gratification: escaping segregation, even if minimally, reducing social distances, making him stand out from the rest of the people. His principal objective is social integration itself. The privileged target is the state; his relationship with it is contradictory, because on the one hand it is the antagonist that denies him the resources he needs for that goal, and on the other hand it is the ally the leader needs to build and maintain his ascendancy over the people. Another mainstay is the political parties, whose support increases his bargaining power with public officials. Politics and democracy, in this sense, are conceived as open systems for the processing of demands. The experiences of the past, however, make politics a field of resentment and recriminations. Perhaps this is why leaders have the illusion that an understanding among politicians would create "unity among slum dwellers."

But these common features do not fully describe the ghetto leader. There are internal differentiations which can be used to devise a kind of typology. There is the /negotiator/ leader, who takes a pragmatic approach to solving problems (cases) of an individual nature on the basis of efforts at the top, completely independently of the political parties. Then there is the /community/ leader, who is concerned with the advancement of entire families and consciousness raising beyond the divisiveness created by the parties. There is also an /assertive/ leader, who pragmatically pursues solutions (like the negotiator) but who organizes the rank and file to increase their bargaining power, involves the parties as a means of support, and blames problems on the "system." Finally, there is the /activist,/ the leader who ignores immediate individual problems, plays a pedagogical role among the people to make them understand the structural causes of their deprivation, and gives top priority to their political mobilization according to partisan orientations.

All these motivations for action, however, result in the frustration of ghetto leaders today. The negotiator cannot offer solutions, because they are few in number and they go directly from public distribution to the slum dweller. The community leader, on the other hand, has no access to resources to foment the "advancement of the people." The assertive leader cannot find in the state an interlocutor to sit at the bargaining table with him, or an organized rank and file or any political support to serve as instruments of pressure. Finally, the activist cannot generate conflictive situations; when they do occur, they are the result of national circumstances beyond his control (the "protests," for example), or they are outbursts unrelated to any political issue, such as the explosions or the mobilization of women to prevent the elimination of milk donations at medical offices last June.

The authoritarian regime, the exclusion and the economic crisis have all contributed to the crisis in vindicative actions. This crisis is felt the same, for the most part, by unions and ghettos. Neither the state nor the people are receptive enough for the leader to play his traditional role as articulator. He is most affected by the indifferent reaction of the people to his appeals, their ingratitude to his efforts. The feeling of abandonment also applies to the political parties, who have left these leaders alone in recent years. The Church, in contrast, has never abandoned them. They bitterly compare their fate to that of the union leader, who has won a slot in the political opposition class, and hence political leadership among the masses. The slum leader knows that his survival is linked to his ability to use politics,<sup>4</sup> but without the record of the labor movement it is difficult for him to gain access to this resource.

#### Retreat of the Community

But there are other reactions to the crisis in vindicative actions, too. There are strictly individual reactions: the abandonment, for example, of any public function. There are also the non-conformist reactions, such as apathy or delinquent adaptation, and there are collective but defensive reactions, such as the reconstruction of secondary communities (beyond the family). The latter is a trend that has attained significant proportions, and some prudent comments can be made about this phenomenon on the basis of our research.



Without a shadow of a doubt, it is possible to speak of the resurgence of the community in the ghetto (and certainly not just there). These people basically identify with non-institutionalized guidelines for collective action, with a strong dose of religion (Catholic and evangelical), and, in many cases, with a differentiation between the ghetto world and "middle class values." This is surely a reaction against the disruptive processes involved in the attempt at mercantilizing social relations, which, as we said, meant the curtailment of the processes of social mobility that took place in the decades prior to 1973. Resorting to the community responds to a search for protection in fundamental certainties, in merging with one's peers, in emotional attachment, ethics or history. It is, in this sense, a rejection of the kind of modernization that this regime has promoted and a compensation for the vacuum left by the elimination of the "advancement of the people" model.

P. Saball and E. Valenzuela have distinguished the various forms this community resurgence has adopted.<sup>5</sup> One of them is /prophetic or ethical/ communitarism, with an eminently affective identity that rejects institutional mediation and politics as a rational activity aimed at specific goals. Its basic principle is the defense of human rights against the actions of any power; its final redemption is total communitarism; the individual paradigm is prophetic sacrifice (testimony). There is also a /workers'/ communitarism, which rejects both the corporativization and the politicization of labor union activity, and recalls nostalgically the united labor movement that was organized on the basis of the ethical value of labor in the face of a decadent capitalist world. The /evangelical/ communitarism is expanding rapidly among those ghetto residents who are the most thoroughly excluded and disintegrated. This movement appeals to faith as the only hope of salvation from the hostility of history, in view of an existential situation of disorder and poverty. Finally, there is a more /political/ communitarism, which aims at realizing frustrated hopes of social mobility through Christian populism.

The limits of these different forms of community action are clear to their own protagonists, with the exception of the evangelical or pentacostal variation. These restrictions are especially clear in situations of maximum mobilization and politicization; particularly evident are the limitations of community action in terms of democratic transformation and stabilization and its irreparable incompatibility with the institutionalized world, and among the masses themselves, with the political parties. Putting ethics ahead of politics bears an inherent risk of pushing people toward fundamentalist behaviors; but communitarism is also a movement of moral criticism and social experimentation that could be very healthy for a future democratic order. Its limitations, however, are now leading to a painful, but inevitable, revamping of the communitarist movement.

### Recourse to Violence

Social action among the urban masses is polarized between the heteronomous activity of assertive leaders who lack the means to be effective and to reproduce their representativeness, on the one hand, and on the other hand, a defensive communitarism, in some cases indifferent and in others impotent, and in still others reactive to politics. These two polar orientations, finally,

are internally differentiated. All of this implies that a common hostility toward the regime is not giving rise to a popular social movement that is compatible with a process of democratization.

In fact, the crisis of vindictive action and the limitations of communitarism are leading to a phenomenon that reveals an even more severe situation of decay: violence in its political and social forms. Violence is a response to a dual schism: that between the political class (into which the assertive leaders wish to retreat, as the labor leaders did) and the community life that daily rejects politics; and that between the ghettos (a sort of homeland where the urban poor are confined) and the rest of society, whose cohesion depends increasingly on this geographical and social discrimination.<sup>6</sup>

Between community and politics, between the slums and the rest of the city, there is just a vacuum which tends to be filled with violence (especially on the part of youths). Police repression does not act like a dam; the only thing it accomplishes is to make the distance more devastating. The only force capable of containing this violence is the Church, an institution that bridges these two worlds and thus shortens the distance and reduces the vacuum. In this regard, the priests play a decisive role; their authority is recognized by the slum dwellers, because they have stood by these people unconditionally. Moreover, they have the means to overcome the segregation and connect the ghetto residents with the rest of society.

#### Conclusion

The "agitation of the slums" is a mere ghost of the popular social actor that was once known in Chile, the master of a historic project identified with the state, industry and democracy, who was internally coordinated with the workers and who, finally, acted in broad daylight. At first glance, it would appear that there is no popular demand for democracy here, nor any guarantee of support.

One condition of democracy, then, will be to bring the slum dwellers out of their ghost-like state and enable them to become a social actor. The political class, therefore, must take on the task of mobilizing them, not manipulating this mobilization according to narrow power strategies or regarding it as a "threat" to their often elitist coordination projects. The parties cannot have eternal faith in the role of the Church; they are the ones who must face the violence that is filling the vacuum between society and the ghettos. In forging this link, the leaders who emerged from the unions and the slums must play a decisive role.

#### FOOTNOTES

1. E. Tironi, "The Problem of Democracy," MENSAJE No. 339, June 1985.
2. Participating in this research were: E. Valenzuela, V. Espinoza, P. Saball, F. Echeverria, and the author. This study was conducted by SUR by agreement with the Center for Analysis and Sociological Intervention of the EHSS in Paris. Sociologist F. Dubet participated for the French.

The research material is contained in the SUR Working Documents Nos. 44 through 48. With regard to the method used ("sociological intervention,") see A. Touraine, "Le voix et le regard," Paris: Le Seuil, 1978.

3. E. Tironi, V. Espinoza, F. Echeverria, "Assertive Action," SUR: Working Document No. 47, 1985.
4. This phenomenon was noted by V. Espinoza, "Slum Dwellers in Politics," SUR: Working Document No. 27, 1985. As we found in our research, the "negotiator" and "assertive" type leaders turn to politics in keeping with a pact-oriented reasoning, the former primarily for social considerations and the latter for political considerations; the "communitary" and "activist" leaders are more likely to advocate a "union of the people" or a "union of the class."
5. P. Saball, E. Valenzuela, "Community Action," SUR: Working Document No. 48, 1985.
6. In the last 5 years, about 150,000 people (the equivalent of the population of Talca) have been "eradicated" in Santiago. The policy of "eradication" consists basically of confining the poorest sectors, who used to live in camps embedded in geographical zones higher up on the social scale, to the outskirts of the city (Communication from A. Rodriguez).

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CHILE

# LAGOS: DEBT STRATEGY MUST INCLUDE POLITICAL CONSIDERATIONS

Santiago MENSAJE in Spanish Dec 85 pp 511-514

[Article by Ricardo Lagos]

[Text] The key point in defining the strategy of Latin American governments in their renegotiation efforts with the creditor banks and the International Monetary Fund (IMF) is the idea that the debt problem is political in nature, and not exclusively financial.

The debt cannot be paid strictly according to the original terms; the current renegotiation schemes render self-sustained growth in the region impossible for many years. The restructuring of the debt that has been underway since 1983 will not solve the underlying problem, either. The renegotiation plans that delay principal payments and bring in new money for the payment of interest only put off the problem, and actually aggravate it over the long term. In other words, all of the sacrifice involved in accepting the IMF program does not attack the problem, but simply postpones it. To make matters worse, social tensions increase, the per capita GDP falls, and nothing is resolved. All the parties involved (private banks and other negotiators) are aware of this. What is the reasoning, then, behind these negotiations?

This phenomenon is reminiscent of what happened during the Depression of the 1930s, when Latin American countries lost nearly all their gold reserves awaiting the automatic adjustment that was supposed to happen--according to the gold standard theory--to balance external accounts. Some have contended that the countries which adhered to economic orthodoxy the longest were the ones which lost the most; in the end, all of them had to abandon those principles for heterodox formulas.<sup>1</sup> Today something similar appears to be taking place: We are applying the IMF's prescriptions in the belief that they will help us solve the problem, even though several studies indicate that this will not happen. For this reason, changing the economic approach requires a willingness and political consensus on the part of everyone involved.

There is another reason why it is imperative that the public sectors of the creditor and debtor nations participate in the negotiations. The participation of the debtors is necessary as a way of ensuring that local development is preserved; that of the creditors is needed to prevent the collapse of the financial system. The latter is especially true, given that

the creditor banks must necessarily suffer losses. These losses are, to a large extent, attributable to excessively liberal lending policies and a pro-cyclical attitude on the part of the banks when the Latin American crisis began to emerge. The renegotiation on political terms can only be obtained if the Latin American governments come together on this issue.

Finally, there is a third reason that points to a political approach--that is, a government-to-government approach--to the problem. It is impossible to continue thinking of sovereign nations as ordinary debtors who are subject to the jurisdiction of foreign courts and whose assets are subject to seizure. One aspect that has received very little attention is the juridical relations between private banks and sovereign states. The former had been reluctant to enter into this kind of transaction in view of the different legal status of the parties. Then, faced with the need to recycle petrodollars, the banks decided to ignore these legal details and rush headlong into the lending frenzy that is now well known. Aside from the political responsibility incumbent upon the authorities of the creditor banks' home countries, and their duty to impose monetary controls to deal with this liberal credit policy, the prevailing legal situation requires a negotiation between states to grapple with this thorny issue. The best proof of this assertion is that the countries which are already in default have been "conveniently" forgotten, since it is clear that the measures that would be taken against an ordinary debtor cannot be taken here. This matter requires a very careful analysis if decisions are to be made on solid grounds. And with some exceptions,<sup>2</sup> there is very little material to work with in the search for equitable solutions.

#### Principle of Coresponsibility

If the negotiation must be political, then it should begin with a clear diagnosis of the problem. Only after this exercise can any progress be made toward "technical" solutions. This is why:

The "problem" of the foreign debt is due to the great amount of international liquidity in the 1970s. This liquidity had a variety of origins, but the primary one was the need to recycle the petrodollars from the OPEC countries.

What steps did today's creditor nations take to deal with this situation? Practically none, which, in view of the circumstances, implied a fundamental change in international financial relations. These countries did, of course, share in the increased profits earned by international private banks, through taxation. But there was no effort to control the major flows of dollars (and the mushrooming of the dollar market) that took place in the 1960s and 1970s. And this is the root of the problem, because the difficulties countries were having in meeting the higher cost of petroleum were accompanied by greater liquidity in private banks, to which they could resort for funds.

The capitalist countries' responsibility for this problem was aggravated by the economic measures they themselves adopted (looking out for their own short-term interests) to cope with the oil price hike. These policies restricted economic growth, protected domestic markets from international trade, and created budget deficits as a result of the arms race. They had an explosive and devastating effect on our economies, which translated into lower

exports to the developed countries and higher interest rates. The latter is a new phenomenon that resulted from the new financial methods used by private banks, unlike any used in the past. As of this writing, a report has just come over the wire indicating that Latin American exports fell by 14 percent in the first quarter of 1985 due to the sluggish growth of the U.S. economy. The economic growth of the developed countries and their interest rates have profound effects on the region's payment capacity, and therefore on the alleviation or exacerbation of external restrictions, which are the principal bottleneck for economic development in the region today.

In short, /a political negotiation should begin, with acceptance of the principle of coresponsibility for the debt problem,/ [passage enclosed in slantlines printed in boldface] in terms of both its origin and its aggravation as a consequence of the economic policy pursued by the developed countries. The above does not imply ignoring the errors and responsibilities of the Latin American administrations, which are myriad; it simply places the facts in an equitable perspective.

#### Institutional Conditions for Negotiation

This is a matter that has not often been approached with frankness. No one is so naive as to be unaware that all economic organization ultimately responds to relations of power, and this is true of the international situation.

The international economic order of today, which arose out of Bretton Woods, proves this assertion. History will tell, perhaps, whether the Keynes Plan, defeated by Mr White, would have been more effective. I am referring to the two proposals that were discussed to organize the international monetary and economic system at the end of World War II. The plan put forth by the Englishman Lord Keynes was defeated by that of Mr White, chief of the U.S. delegation. The upshot was that in those negotiations, the U.S. theory prevailed, and the International Monetary Fund and the World Bank were founded at that time. My point is that these negotiations were conducted in the framework of an egalitarian conference (one country, one vote), despite the great importance of one of those countries. In theory, at least, all were equal. This principle must necessarily prevail in any political negotiation of the debt. Precisely because it is political, no forum in which the states are not on an equal footing should be accepted. In other words, forums such as the IMF are not appropriate, since a handful of countries have more than 70 percent of the votes in that organization. Negotiations in that setting are unacceptable because this is not a primarily technical problem and because the countries are not operating under conditions of equality there--at least not de jure--for a political negotiation.

A variety of settings could meet this requirement. The most appropriate would be the United Nations, through the Economic and Social Council (ECOSOC) or another specialized agency. The debt has overshadowed, as we all know, the discussion of a new international economic order that was begun in the late 1960s. When President Nixon took certain measures in August 1971, including taking the United States off the gold standard, a severe crisis began in the international monetary system. This, in turn, had to do with more profound changes that were taking place in the world economic structure.

Hence, the extensive and relatively unproductive debate on the need for a new international economic order (NOEI) has not gotten past first base. One of the key questions was where the negotiations should take place.

Today the foreign debt, though concentrated primarily in Latin America, is a worldwide issue; a unilateral move could unleash a crisis throughout the financial system. For this reason, the solution must be found in a worldwide forum. The ideal thing would be to link the discussion of the debt to that of the international monetary system, but that could make the debate more difficult. If the debate focuses only on the debt, the perspective of the problem must be more universal, and for this purpose the institutional arrangements must be equally broad.

#### Equity in Adjustment and Solution of Problem

In the crisis of 1930, the international economic order fell apart at the center as well as the periphery, to use the terminology of the United Nations Economic Commission for Latin America (ECLA). Germany reneged on the commitments it had made at Versailles, and France and England stopped servicing the debt they had contracted with the United States as a result of World War I. Most Latin American countries, meanwhile, stopped servicing their debts by 1934. In that case, of course, our creditors were "rich widows" or "cautious bourgeois" types who were scattered all over the world and could do little but complain. Today the situation is different, in that nonpayment certainly spells the ruination of the principal private banks of the United States. For the U.S. banking system as a whole, in 1984 the Latin American debt amounted to 5 percent of bank capital. But for the main banks, that debt represented 200 percent of their capital; 25 banks have 80 percent of the loans granted to Latin America by the U.S. banking system.<sup>3</sup>

So far nothing has happened, and the banks have not suffered any effects of the crisis.

In the past, when Latin America did not pay, it was difficult to envision proceeding in such a manner, when Germany, England and France did the same thing (which is forgotten today). This is what makes today's situation more difficult than it was a half-century ago, since it is the periphery that is having problems and the center that is in a position to demand "appropriate" behavior that will not endanger the entire system.

But if we are all responsible for the origin and propagation of the problem, then we should all make an effort and sacrifice equally to solve it. So far, only the periphery has made sacrifices.

This would imply recognition of coresponsibility, and acceptance of the principle of equal sacrifices to solve this problem, as a natural consequence of it. On the periphery we have undergone more unemployment, a greater decline of real wages, slower economic growth--in short, a much greater "recessive adjustment" than the countries in the center have. In other words, so far the entire burden has fallen on our shoulders. What sacrifice has the United States, Japan or Europe made? If we were to apply the IMF prescriptions to any of these countries, we would see that they are light

years away from such orthodox recommendations: They have stepped up protectionism; they do not reduce but actually increase their budget deficits when they deem it appropriate; and their consumption has fallen off by much less than in Latin America, which expects per capita income in 1990 to be the same as in 1980.

Solvency, whether referring to companies or individuals, has to do with whether a sufficient surplus can be built up over time to pay off loans. In the case of a country, however, that surplus is more "elastic," since reducing the standard of living of a country will increase its payment capacity. How much "adjustment" can a system withstand? Moreover, in the case of Latin America, it has almost always been an importer of capital. Can it now continue to export capital at the same pace as in recent years, without jeopardizing its system of social coexistence? This explains, ultimately, why the matter of the equitable distribution of burdens is and should be discussed in a political context. In addition, there is a problem of equity within the debtor countries: which sectors or social groups must bear the weight of the "adjustment" that is needed to generate a surplus. The debt, in general, favored high-income groups, while the standard recipe of reducing imports by cutting production (to boost the competitiveness of exports) hits real wages the hardest.

To return to the issue at hand, long-term solvency should be compatible with a democratic system. If the cost of the adjustment is too high socially, it will be necessary to resort to authoritarianism as the only way to prevent a social explosion. This is unacceptable, especially in a region that is just now emerging from an authoritarian experience.

In sum, only after the acceptance of a political negotiation in a democratic forum that guarantees the juridical equality of the states and accepts the principle of coresponsibility for the problem, and therefore equity in the burden of the solution, can the "technical" solutions now being debated come into play.

#### The Baker Plan

The best proof that these points are not the contentions of a Latin American who is overwhelmed by the debt, but are indeed a reflection of grim reality, is the implicit acknowledgement by U.S. Treasury Secretary James A. Baker at the last meeting of the IMF and the World Bank in Seoul. Although his plan is insufficient, or to put it more precisely, "too little, too late," it does constitute a formal recognition of the need for a political understanding on these issues. There is not enough room here to discuss why the proposal is insufficient. I would just like to point out the fact that it has been made. The plan's fundamental elements recognize the points I made above.

#### Chile and the Foreign Debt

Within this context, the way Chile is negotiating its debt is typical of a country that does not have enough international credibility to make it a political proposal. For this a country needs international respectability, which is incompatible with a dictatorship. Hence, the Chilean finance



minister, no matter who it is, will have to accept the IMF's impositions passively. The cost of the adjustment will then have to be passed on to the Chilean people, in view of the inability of Chile's representatives to make demands on any grounds other than mere technicalities or economic statistics.

To get an idea of what Chile has renegotiated, it is useful to take a brief look at some figures: Chile obtains \$1.950 billion in "additional" dollars, which will be earmarked almost entirely for paying the interest on the foreign debt during the 1985-86 period. At the end of these 2 years, Chile's foreign debt will have climbed by 8 percent, and we will not have been able to grow more than 2 percent. This is a good example of what we have been saying here, in the sense that we are renegotiating on terms that do not help us solve the problem: We will tighten our belts, we will not grow, and what is worse, the debt will rise.

Furthermore, to win this paltry "renegotiation," Chile is agreeing to guarantee US \$6.1 billion in loans that until now were private sector debts, and are now the responsibility of the public sector.

All of the above reveals that as long as the country is unable to speak with a voice that is respected in the international community, we will have to continue accepting what is imposed on us from outside. We are not arguing that merely changing to a democratic system would solve the debt problem. But we are asserting that such a transition would enable us to negotiate the debt differently, putting the interests of Chile and its people first. That, in the final analysis, is the duty of a government. Then the willingness to pay would be couched in terms of a high-level political discussion, following the lines that have been set forth here.

But this far-reaching problem will be solved only by returning to democracy, which will give us back the international respectability we once enjoyed.

#### FOOTNOTES

1. Ricardo Lagos, "The Price of Orthodoxy," EL TRIMESTRE ECONOMICO No. 295 (January-March 1985).
2. For example, Gonzalo Biggs, "Legal Aspects of the Latin American Public Debt: Relations with the Commercial Banks," REVISTA DE LA CEPAL, No. 25 (April 1985).
3. Rudger Dormbursch, "Dealing with the Debt in the 1980's," THIRD WORLD QUARTERLY, Vol. 7, No. 3 (July 1985).

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CHILE

INFORMAL ECONOMY INVOLVES 1 OF EVERY 3 ECONOMICALLY ACTIVE

Santiago ECONOMIA Y NEGOCIOS in Spanish Nov 85 pp 11-15

[Article by Ana Maria Gibson]

[Text] It is just one economic phenomenon, but it hides behind many names: underground, parallel, informal, black-market, clandestine. All these adjectives describe an economy that moves surreptitiously, under the table.

In Chile, one in every three people in the labor force receives some--or all--of his income from this informal market. They range from gardeners, and housewives who make goods, to those who traffic in dollars and businessmen who evade taxes, just to cite a few examples.

Some specialists tend to attribute it to the lack of alternatives for the people to participate in the formal labor market. They also point to the rising tide of migration toward the major cities.

Nonetheless, the so-called "submerged economy" dates back a long way. It was born almost simultaneously with the passage of the first social law, although this activity only began to be a major concern for governments in the last decade. By its very nature, it is difficult to size up, but there is no doubt that no country is free of this economy, whether capitalist or socialist.

To associate its growth with just unemployment or the economic crisis of recent years is oversimplifying matters. Obviously, the crisis did aggravate and make more visible an activity that had been concentrated primarily in illegal transactions such as drugs, black-market currency, contraband, the Mafia, and weapons.

Black-market labor has two evident manifestations: one is of a structural nature, and is related to clearly productive activities that evade legal formalities; the other, which is closely tied to the prevailing economic situation at a given moment, tends to be channeled toward different forms of survival, all illegal.

## Qualitative Change

Although the process is not new, its tremendous expansion in the last 5 years has shown that the cumbersome legal apparatus has begun to obstruct business activities with increasing intensity. Those businesses that are operating under a heavy debt burden are especially hindered. After all, the high prevailing taxes represent the first great temptation for many to evade taxation, at whatever cost: lower value-added tax (IVA) payments, failure to pay overtime, transfer of profits from one business to another, false billing, padding the books, sales transactions recorded at a lower value, . . . and on and on.

At the other end, that part of the population which receives a wage that is not enough to cover the bare necessities, or which is unemployed, begins to carry out parallel survival activities as an additional form of occupation: clandestine sales, workshops, conversion of stolen goods, unreported services, in short, countless cottage or street activities.

It could be asserted that both types of activity aim at the same end: to carry out quick deals that will boost one's income or the profits of one's business as soon as possible. And custom begins to shape the law. Who would return to the current legal framework after seeing that this kind of activity yields greater benefits than adhering to strict legal guidelines? A difficult question.

For the same reason, some specialists believe that it would be necessary to establish areas of overlap between legal-taxation structures and economic structures. This would lend greater fluidity to the production process, keep the bureaucracy to a minimum and head off current structural hindrances to the arrival and departure of businesses on the market, and of course educate the public to internalize the appropriate ethical conduct.

Year	% Working in Informal Sector in the City
1979	25.7%
1980	25.6%
1981	25.1%
1982	28.3%
1983	31.9%
1984	33.0%

## How to Cope

Although our country has one of the smallest parallel economies in Latin America, along with Argentina and Uruguay, we cannot ignore the fact that it has been growing significantly since the last economic crisis. Part of this growth is due to the persistently high unemployment, and also to the inconsistency between the opening up of structures to the market economy and existing legal norms.

A viable alternative in this sense would be to apply more affordable tax rates and to bring out the real potential of the small business sector, including

those who maintain workshops or garages at home, people who farm small plots, street vendors, truck drivers, and the like. Because the problem lies not only in the lack of formal alternatives, but also in the lack of capital. It is obvious that not much progress can be made by forcing this small business sector to join the legal economy if it is not given the resources and the working capital to do so. After all, we must not forget that the installation of a business goes much further than simply obtaining a patent and starting up operations; one must file tax returns, pay social contributions, maintain public facilities in good condition. All this requires a level of income that this segment of the population does not have in most cases, given that it does not have access to credit or to sufficient demand, either.

What is more, many do not even have prior job or production experience. A good example is the housewives who begin a variety of cottage businesses: floral arrangements, sewing clothing, interior decorating, pottery, etc. Their prices become highly competitive, because in addition to the fact that they do not have to pay taxes, their work does not involve any cost for time used.

This type of occupation, to the extent that it provides income, will continue to expand especially among those who have little education or capital, for whom the only, or almost only, alternative is unemployment. From this point of view, some economists contend that the parallel economy is actually a positive development for this segment of the population, in that it serves as an escape valve for a number of social tensions that would otherwise have no outlet.

The same cannot be said of those underground activities that take place under cover in formal businesses. Their level of evasion can no longer be considered marginal. Quite the contrary: Major amounts are involved, and these activities severely undercut fiscal revenues. Furthermore, they are carried out with full knowledge of the situation, with complete impunity. Specific examples of this phenomenon are the high rate of evasion of the IVA and false billing, evasion of income taxes, the fabrication of non-existent tax losses, the payment of money into secret accounts, the evasion of social legislation and the failure to pay overtime, paying taxes on falsely reported wages, the abuse of certain exemptions (especially in the state enterprises), the under- or overstatement of exports or imports, the manufacture of goods without paying patent fees, and others.

#### In Chile

It is not easy to determine the magnitude of this problem, given the limited information available. But there are a few figures compiled by the Regional Employment Program for Latin America and the Caribbean (PREALC), which is part of the United Nations International Labor Organization (ILO). These statistics indicate what proportion of the labor market is accounted for by the informal sector.

Between 1979 and 1984, this sector grew notably in the service activities, though slightly less in commerce. Industrial activities actually declined in this sector. The statistics state their case clearly: While in 1979 662,000

people were working in the urban informal sector, that figure had climbed to 929,000 by 1984. In the specific case of the services sector, from 170,000 people working in 1979, the total rose to 427,000 in 1984; and in commerce, the rise was from 261,000 in 1979 to 309,000 in 1984. Industry was just the opposite: From 104,000 people engaged in these activities in 1979, the total dropped to just 90,000 last year. This statistical compilation by PREALC is based on the occupational home surveys conducted by the National Institute of Statistics (INE).

#### Employment in Chilean Informal Sector By Sector

Year	Industry	Commerce	Services	Total
1979	104.3	261.2	170.3	622.3
1980	104.6	284.3	189.7	680.8
1981	98.7	290.2	193.8	677.8
1982	75.1	243.1	275.6	683.7
1983	83.0	253.0	413.9	844.1
1984	90.6	309.7	427.1	929.5

Figures in thousands of persons.

Source: PREALC, based on national home surveys by INE.

According to the 1980 census, between 1950 and 1980 the coverage of underemployment in the country's urban informal sector fell from 22.1 percent to 21.7 percent, and from 8.9 percent to 7.4 percent in the case of the traditional rural sector during the same period. Thus, Chile was far below the Latin American average, given the 19.4 percent figure for the first sector and 18.9 percent for the rural sector in the 14-country region.

There are also some figures that give an idea of the magnitude of tax evasion, in terms of the IVA: Whereas in the first 6 months of 1983 the payment of the general rate totaled 60.109 billion pesos, and the payment of the import rate was 34.791 billion pesos; in the first 6 months of 1985, the payment amounted to 52.610 billion pesos (same currency) for the general rate and 50.789 billion pesos for the import rate. Even though imports have declined considerably, the difference between the two figures shows that something is still not right.

This is not the only tax evasion. It exists in the gold trade, the payment of the domestic IVA, and in agricultural commodities. It is public knowledge that the Internal Tax Service has launched campaigns to reduce tax evasion, some with excellent results, as in the case of the Anillo Plan, for example. Another measure is the introduction of new billing forms as of next year, and the computerization of the entire auditing system.

#### Underground Commerce

By all accounts it is clear that street vending is the final link in an unofficial chain of efforts to avoid taxation and social contributions. It is considered the "Achilles heel" of established commerce, which has been complaining about the problem for a long time. With few results, of course.

One result was the creation of a commission made up of representatives of the Ministries of Interior and the Economy, the most seriously affected municipalities, Santiago and the Central Station, the Internal Tax Service and the treasury police. The commission operates out of the Intendancy. After more than a year of work, so far it has managed only to issue a diagnosis of the phenomenon, but it has taken no effective measures to deal with the mushrooming problem of street vendors in Paseo Ahumada and Huerfanos, as well as other parts of the city.

Studies conducted by the Professional Trade Union for Proprietors of Chilean Commercial Establishments (SIDEFO) indicate that this type of trade is growing at an annual pace of about 40 percent.

Fed by an illegal economy, especially that involving major importers and small artisans, this type of vending has managed to organize and make public a process that is usually kept under wraps. Moreover, some merchants, seeing the healthy sales that can be obtained in the street, often go out onto the sidewalk in front of their own stores to compete.

The public encourages this activity. A recent poll by a radio station (the Cooperativa computer) revealed that 77 percent of the respondents agreed that street vending should take place and thought it should be allowed by the authorities. This may be the best proof of our decadent civic conscience.

Calculations by SIDEFO in November of last year indicate that tax evasion through street vending accounts for a total loss of 340 million each year. In other words, this is the equivalent of funding 5,657 jobs under the Employment Program for Heads of Household (POJH) for 1 year at a monthly salary of 5,000 pesos, or of building 1,131 low-income homes at 300,000 pesos each.

Underground commerce can be considered a permanent fixture which simply skips one of the links in the traditional marketing chain. And the only viable alternative for eradicating it is either to legalize it and make them cough up the money, or to make a concerted official effort to get them off the streets once and for all. One or the other, . . . and of course the sources of their supplies must be thoroughly investigated.

This is not the only form of illegal trade. According to SIDEFO, the parallel economy accounts for approximately 30 percent of the GDP. This figure cannot be regarded as reliable, given that there is not enough background information to determine its accuracy. On the other hand, it is true that this activity does account for approximately 30 percent of something: employment.

No matter what the case, the phenomenon is beginning to worry everyone because of its accelerated expansion, and there is no doubt that sooner or later not only will reliable statistics be available, but also effective ways of combatting it will have been found, given that it is beginning to be considered a new economic scourge.

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CHILE

## HOUSING MINISTRY TO PUSH ERADICATION OF MARGINAL DWELLINGS

Santiago LA NACION in Spanish 29 Nov 85 p 32

[Text] Minister of Housing and Urban Affairs Miguel Angel Poduje announced that in 1986 the medium and traditional housing subsidy systems will be refined. Although they are very new, he noted, they have yielded good results, but it is necessary to cultivate and shape them to benefit the community that demands private housing. These subsidies, along with the rural subsidy and the National Applicants' Register, created in 1984, represent the government's effort to reach out to the most deprived sectors.

The minister explained that this initiative is included in the plans for next year, which call for the National Applicants' Registry to be consolidated as a key element in the eradication of marginal dwellings. The Ministry of Housing and Urban Affairs (MINVU) will make a major effort in pursuit of this goal next year.

### Positive Results

During the dedication of the second stage of the housing complex known as the Los Sauces 11 Residential Park in La Florida (which has 552 units, obtained by their owners with the help of the traditional subsidy), Minister Poduje described the Ministry's work this past year as positive. He mentioned the effects of the March earthquake, which required the redistribution of 3.8 billion pesos from the official budget and 1.8 billion pesos from the National Paving Program.

"This year, 1985," he said, "was a time for implementing policies, and now a period of consolidation awaits us. With regard to policy implementation, we should mention the National Applicants' Registry as a means of extending government action to the most deprived sectors. This plan was created in 1984, and has already taken the first steps. It began to take shape in 1985, and will be further refined in 1986."

"On the other hand," he added, "we have the development and refinement efforts, and the need to follow up on these programs to make the medium and traditional subsidies more effective. Even though they are very new, these subsidies have yielded good results. They are 'baby systems' that need continued improvement, cultivation and reshaping."

## National Scope

He called the housing efforts this past year "really important, and not just in terms of image, especially in specific and visible accomplishments on the national scene. I have had an opportunity to tour the regions quite extensively these last few weeks, and I have seen how the projects have taken shape and the plans have been fully implemented."

This nationwide implementation, in Minister Poduje's view, represents a commitment and a responsibility of such great importance that it means tripling resources and imagination in the coming year, for the purpose of maximizing the potential of work to carry out, maintain, and improve these activities.

"This is reflected and measured in the geographic product of the construction industry, which I think will be the leading sector this year in terms of that indicator," stated the head of the Housing Ministry.

## Construction in La Florida

One indication that this assertion is true is the municipality of La Florida, where Mayor Walton Ojeda has spurred the accelerated growth of housing construction.

In the opinion of this municipal leader, having a private home is an undeniable right of any human being, and it should not be considered an end, but a means of great value for obtaining other benefits that will improve mankind as an essential part of society.

Walton Ojeda discussed the accomplishments that have been made in his municipality these past 8 years, during the dedication ceremony of the Los Sauces 11 Residential Park. Minister Poduje presided over the ceremony.

Marking another anniversary yesterday, the La Florida municipality "has made many achievements," in the view of its mayor, "above all in the area of housing, not just in terms of new construction, but also with respect to the eradication and location of camps. The newly located camps are being equipped with sanitary dwelling units and urban services in general."

The work done in 1985 was complemented by the addition of new police stations, the pavement of streets, and the construction of schools and rural stations, with an overall investment of 1.2 billion pesos. Of that total, 72 percent was devoted to social projects and services such as the Mental Health Center, programs for expectant mothers, health plans, Lion's Clubs and nutritional centers.

## Municipal Effort

With regard to his accomplishments over the past year, the mayor stated, "I am very comfortable in my conscience. I think that a lot has been done these last 8 years. All this that you see here used to be agricultural fields and



local roads. Now major housing complexes are being erected in a municipality that considers itself middle class and residential. It has been accomplished with the cooperation of the community, which has played a fundamental role."

"My assessment is good," he added, "but I think that those who are in the best position to assess it are the residents themselves, the 'Floridians' who have seen or are witnessing what we have done, whether good or bad. As a representative of this municipality and community, I think that this, one of the largest municipalities with 200,000 residents, has proven by its deeds that we are making good progress and carrying out the government's political program, above all in the social sphere."

#### 1986 Plans

Among the principal goals for next year are the construction of a civic center, the completion of urban services in the municipality, and the delineation of residential districts.

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CHILE

#### BRIEFS

**OIL PRODUCTION/CONSUMPTION PROPORTION**—Alejandro Marty, general manager of the National Petroleum Enterprise (ENAP), reported that the cumulative production of petroleum-derived fuels totaled 1.893 million cubic meters between January and September of this year, covering 48.5 percent of domestic consumption needs. This percentage will remain the same for the rest of the year, he stated. During the period in question, national consumption reached approximately 3.9 million cubic meters. Regarding the level of investment the enterprise has earmarked for new prospecting and expanded projects in 1985, the official reported that the equivalent of \$2.8 million has been appropriated for scheduled geological and seismic prospecting outside of Magallanes, in Pampa del Tamarugal, Salares de Atacama and Punta Negra. In addition, the equivalent of \$2.3 million has been set aside for Osorno-Llanquihue, and some \$200,000 for studies along the Pacific coast. In Magallanes, he noted, studies and seismic surveys have been scheduled, at a cost of the equivalent of \$1.4 million, in the foothills; \$4.6 million has been allocated for seismic surveys in the tertiary basin and some areas adjacent to the deposits currently being drilled. Moreover, in Magallanes the land exploration project for the Springhill District calls for an investment of the equivalent of \$9.1 million, primarily in exploratory wells; \$10.6 million has been budgeted for exploration through stratigraphic wells in the Springhill District, offshore in the Strait. As for the development of deposits, he reported that the equivalent of \$54.5 million is to be invested in drilling wells and installing production platforms in the Strait of Magellan, and the equivalent of \$6.5 million will be earmarked for the drilling of production wells and additional land-based facilities. He noted that the investments are 65 percent dollars and the remainder in national currency. [Text] [Santiago EL MERCURIO in Spanish 24 Nov 85 p C-1] 8926

**ADMIRAL RECOMMENDS NEW PORT**—Punta Arenas—The commander in chief of the Navy, Adm Jose Toribio Merino, has received support from various regional sectors in his contention that Magallanes needs a new port. The member of the Government Junta today ends his 1-week visit to the southern region, where he toured naval installations, traveled to Puerto Williams, and maintained contacts with various institutions. Referring to Adm Merino's statements, the president of the Frente Magallanico (which includes business, professional and labor leaders), Guillermo Ihnen, stated that "they are a real shot in the arm for those of us who have always been concerned about the progress of the southern region." He recalled that the commander in chief of the 3rd Naval Zone, Rear Adm Fernando Camus, had already made statements favoring this idea. A few

days ago, the commander in chief of the squadron, Vice-Adm Sergio Sanchez Luna, also came out in favor of the notion. "Clearly the most authoritative and final word in the Navy comes from its commander in chief, and this represents the culmination and clearest definition of the Navy's position on the need for a port for Punta Arenas." Ramon Jacob, the president of the Free Chamber, which represents the beneficiaries of the free zone system, hailed Adm Merino's words as "something very important to all of us who live and work here and who desire progress in the south, a region of tremendous importance to Chile." The Chamber of Commerce and Industry of Magallanes issued a statement indicating, among other things, that "in view of the opinion expressed by the admiral and the fact that his words have been backed up by the Navy's commitment to continue supporting the project, we cannot fail to express our appreciation for his valuable willingness to lend his unlimited support for the utilization of our region's full import and export productive capacity." Rear Adm Gustavo Rfeifer, who will assume the command of the 3rd Naval Zone in January, told EL MERCURIO that "the port has been a vital issue. As Adm Merino stated upon his arrival in Punta Arenas, a region as important as Magallanes without a port is like a house without a door. The port is a fundamental necessity for the integral development of this region." [Text] [Santiago EL MERCURIO in Spanish 25 Nov 85 p C-1] 8926

CSO: 3348/238

COLOMBIA

85 PERCENT OF BOGOTA BELIEVES NATION AT CRISIS POINT

Bogota EL TIEMPO in Spanish 1 Dec 85 p 1-D

[Excerpt] Following are the results of a poll commissioned by EL TIEMPO and taken by the firm Invamer Gallup, among 504 residents of Bogota.

Methodology of the Study

1. Universe

The universe was comprised of all citizens aged 18 years or older in the urban area of Bogota.

2. Stratification of the Universe

a. Pre-stratification by sex

Male	50%	252	Polls
Female	50%	252	Polls
Total	100%	504	Polls

b. Pre-stratification by age groups

From 18 to 24 years	21%	104	Polls
From 25 to 44 years	46%	232	Polls
From 45 to 59 years	21%	104	Polls
60 years and over	12%	64	Polls

c. Pre-stratification by social class, at random

Upper class (AB)	16%	80	Polls
Middle class (C)	25%	124	Polls
Lower class (D)	59%	300	Polls

3. Size of the sample

A total of 504 polls was used. One sample was used. This sample size allowed for a maximum error of only plus or minus 4.5 percent within a confidence limit of 95 percent.

#### 4. Selection of the Sample

The 63 necessary blocks were drawn at random. In each block, eight interviews were held.

#### 5. Field Work

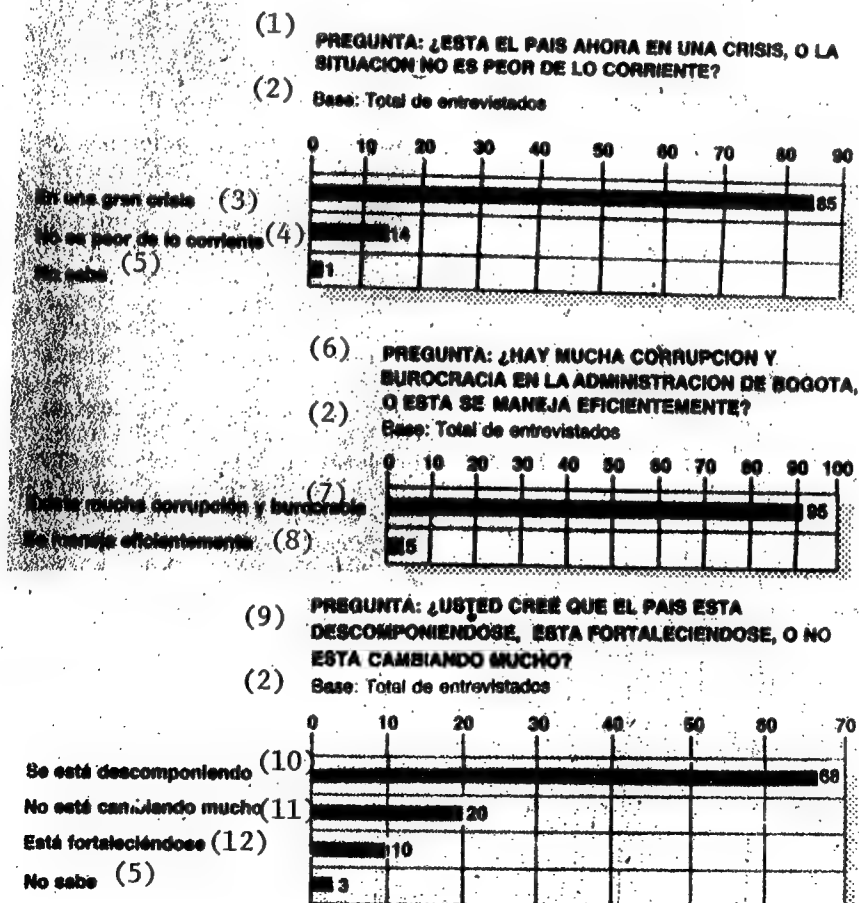
The field work was carried out between 12 and 22 September 1985.

#### 6. Weighting of the Results

A self-weighted sample was calculated.

#### 7. Presentation of the Information

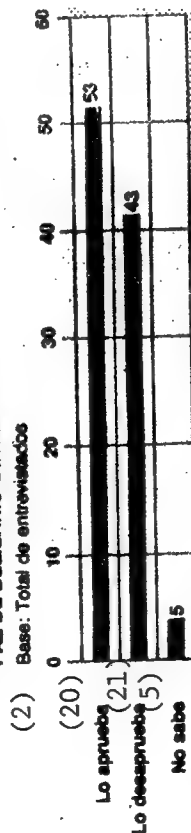
The information was presented broken down by the total, sex, social class, age groups and political party.



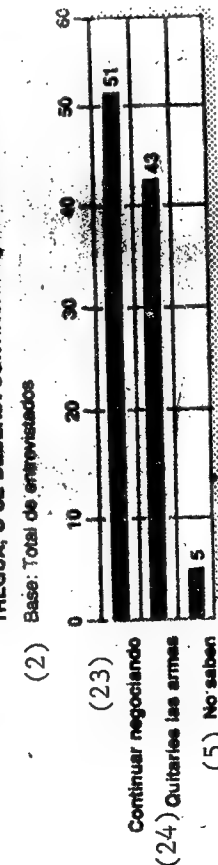
(13) PREGUNTA: ¿ATRIBUYE USTED LA CRISIS DEL PAIS AL GOBIERNO, A LA ECONOMIA, A LA INSEGURIDAD, A LOS TRES, A OTROS O A NINGUNO DE ESTOS?



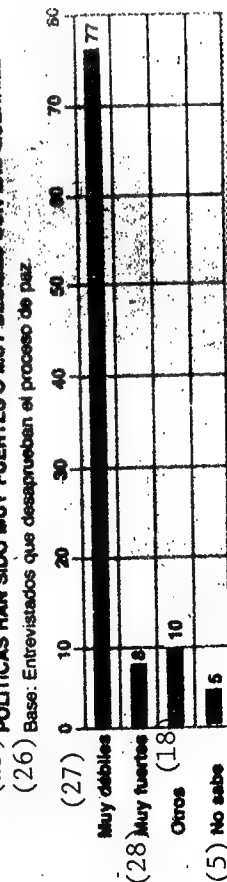
(19) PREGUNTA: ¿USTED APRUEBA O DESAPRUEBA EL PROCESO DE PAZ DE BELSARIO BETANCUR?



(22) PREGUNTA: ¿DEBERIA PERMITIRSE A LOS MILITARES QUE LE QUITARAN LAS ARMAS A LAS GUERRILLAS QUE NO FIRMARON TREGUA, O SE DEBERIA CONTINUAR NEGOCIANDO CON ELLAS?



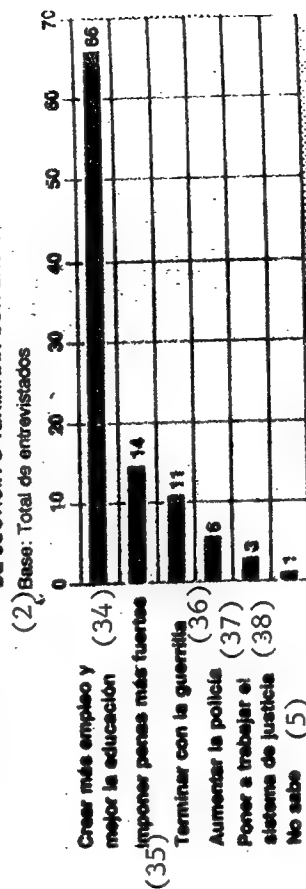
(25) PREGUNTA: ¿DESAPRUEBA USTED EL PROCESO DE PAZ PORQUE SUS POLITICAS HAN SIDO MUY FUERTES O MUY DEBILES CON LAS GUERRILLAS?



(29) PREGUNTA: ¿DEBERIA EL GOBIERNO AHORA ASUMIR UNA POSICION MAS FUERTE CONTRA LAS GUERRILLAS, UNA MAS SUAVE O CONTINUAR COMO HA VENIDO HASTA HOY?



(33) PREGUNTA: ¿QUE SERA LO MEJOR PARA REDUCIR LA INSEGURIDAD: AUMENTAR LA POLICIA, IMPONER PENAS MAS FUERTES A CRIMINALES VIOLENTOS, CREAR MAS EMPLEO Y MEJORAR LA EDUCACION, PONER A TRABAJAR EL SISTEMA DE JUSTICIA O TERMINAR CON LAS GUERRILLAS?



Key to Charts:

1. Question: Is the country in a state of crisis now, or is the situation no worse than usual?
2. Base: Total number interviewed
3. In a major crisis
4. No worse than usual
5. Don't know
6. Question: Is there much corruption and bureaucracy in the Bogota administration, or is that latter being run efficiently?
7. There is much corruption and bureaucracy.
8. It is being run efficiently.
9. Question: Do you think that the country is disintegrating, becoming strengthened or not changing much?
10. It is disintegrating.
11. It is not changing much.
12. It is becoming strengthened.
13. Question: Do you attribute the country's crisis to the government, the economy, insecurity, all three, others, or none of these?
14. Government
15. Economy
16. Insecurity
17. All three
18. Others
19. Question: Do you approve or disapprove of Belisario Betancour's peace process?
20. Approve
21. Disapprove
22. Question: Should the military be allowed to take the weapons from the guerrillas who do not sign a truce, or should negotiations with them be continued?
23. Continue negotiating.
24. Take their weapons.
25. Question: Do you disapprove of the peace process because its policies have been too strong or too weak with the guerrillas?
26. Base: Those interviewed who disapprove of the peace process
27. Too weak
28. Too strong
29. Question: Should the government assume a stronger position now against the guerrillas, a softer one, or should it continue as it has thus far?
30. Stronger
31. Softer
32. The same
33. Question: What would be best to reduce insecurity: expanding the police, imposing heavier penalties on violent criminals, creating more employment and improving education, putting the justice system to work or putting an end to the guerrillas?
34. Creating more employment and improving education

35. Imposing heavier penalties
36. Putting an end to the guerrillas
37. Expanding the police
38. Putting the justice system to work

2909

CSO: 3348/277



COLOMBIA

EACH CONGRESSMAN TO HAVE TWO BODYGUARDS, ADDED SECURITY

Bogota EL TIEMPO in Spanish 22 Nov 85 p 4-D

[Text] At the order of the Chamber's board of directors, starting on Tuesday of next week, each of the 199 representatives will have two bodyguards, as "a measure to ensure their physical integrity, in view of the serious public order conditions affecting the country."

The decision was made last night by the board's commission comprised of Miguel Pinedo Vidal, chairman; Cesar Perez Garcia, first vice chairman; and Joaquin Franco Burgos, second vice chairman.

It was stipulated that a total of 398 additional persons will be provided, hired (apparently for 3 months) by private business firms specializing in the rendering of this type of service, as Franco Burgos announced last night.

The same measure will be adopted by the Senate of the Republic, and it is estimated that, when it is put into effect, another 228 private guards will be hired to furnish security for each of the 114 members of the Upper Chamber.

In connection with the measures to be adopted in the Chamber, Franco Burgos reported that the representatives may have a personal guard to accompany them during their political campaigns in their respective departments, while they will also have a bodyguard in Bogota.

The second vice chairman of the Chamber said that other preventive measures would also be adopted to avert any attack by armed groups on the national capitol, considering the constant threats that M-19 has been making since the gory seizure of the Palace of Justice on 6 November.

Franco Burgos added that these security measures are similar to those maintained at all times for the president, the ministers, the managers and directors of decentralized institutions, the governors and other high-ranking officials rendering services in each branch of public administration.

Although the total outlay that the Chamber will have to make for this item is not known, it is estimated that approximately 10 to 15 million pesos per month will have to be paid. Last night, it was not stipulated whether the entity has the necessary financial resources for hiring this type of service.

Moreover, Franco Burgos noted that the board of directors is holding talks with the high-ranking military commanders, the police, the DAS [Administrative Department of Security] and other state security corps to seek the means for "offering maximum protection for each of the congressmen comprising the Congress of the Republic."

He cited as an example the fact that there is not a single extinguisher in the Chamber to put out any attempted fire, and remarked that the national capitol "is totally unprotected, despite the serious threats hovering over the institution which supports democracy in Colombia."

Franco Burgos also observed that additional talks would be held with the fire-fighter corps to set up a device that will make it possible to prevent and extinguish any fires that may occur inside the Chamber of Representatives.

According to the ruling by the Chamber's board of directors, the representatives of the electoral districts of Bogota and Cundinamarca will be the ones most benefited, because they will have two guards in the capital of the republic.

2909

CSO: 3348/245

COLOMBIA

GALAN: SUBVERSION SOLUTION LIES IN SOCIAL ANALYSIS

Bogota. EL TIEMPO in Spanish 29 Nov 85 p 8-A

[Text] Cartagena, 28 Nov--Colombian democracy is in a state of crisis, and so is the country's economy, warned the leader of New Liberalism, Luis Carlos Galan Sarmiento, expressing the view that political and social transformation cannot be achieved by summit meetings held by former presidents.

The senator from New Liberalism addressed those attending the 23d National Agricultural Congress convened here, and noted that the response to terrorism must not be one of blind savagery, but rather of intelligent analysis of the social situation; and he condemned those who propose solutions based on force to the people, as a response to the crisis of violence and unemployment being experienced by the country.

He claimed that this position leads to a loss of the serenity and objectivity with which the crisis must be viewed. He gave the example of the military dictatorships in Argentina and Chile which, after traversing this path, succumbed to disrespect and repudiation on the part of the people.

He held that the social problem and the economic crisis are not confined to Colombia alone, but exist all over Latin America; and that, to resolve them, a national consciousness must be created that will transform the unstable democracy that the country has.

Concerning the solutions that a potential government of his would give to the crisis in agriculture, Galan Sarmiento said that it would set as a requisite for progressing with agrarian reform the protection of natural resources, the development of the peasant middle classes, which are now victims of poverty, and protection for the Indians, to whom it will guarantee land ownership.

In addition, it would promote agrarian reform with a policy of adapting the land, so that it may be distributed equitably between large and small growers; and give incentives for the production of fertilizers, until the country achieves self-sufficiency in those supplies.

In conclusion, he guaranteed the deliverance of the peasant woman, giving her the necessary share in food production and in the acquisition of technology for working on the land.

2909

CSO: 3348/277

COLOMBIA

ADMINISTRATION, LABOR SIGN ECONOMIC, SOCIAL AGREEMENT

Bogota EL TIEMPO in Spanish 19 Nov 85 p 12-A

[Text] Yesterday, the government signed an agreement with the labor federations on the "handling of the economic and social policy," but seeking "reasonable prices," cutting public spending, giving tax exemptions for the generation of employment, raising wages in line with inflation, cutting interest rates and reducing the devaluation rate.

The workers agreed on the necessity for readjusting prices, provided they are changed with a retention of the purchasing power of wages. They also noted that the government must adopt measures to procure funds from the high-income sectors.

The finance minister, Hugo Palacio Mejia, said that the elimination of taxes on employment should not be viewed as an attempt to abolish the retroactivity of the unemployed.

As taxes relating to employment it cited the contributions to Sena, the Family Welfare Institute and the Family Compensation Funds; but the workers' spokesmen noted that they did not advocate putting an end to such contributions, because they foster opportunities for welfare among the low-income sectors.

The document for the agreement, signed by Palacios Mejia with heads of the Union, Confederation and General Labor Confederation, UTC [Union of Colombian Workers], CTC [Confederation of Colombian Workers] and CGT [General Confederation of Labor], reiterates the feasibility of Congress' authorizing the government to cut public spending, and announces a "substantial" increase in wages during 1986, in the public sector, far in excess of the 10 percent barrier set for 1985.

According to the text of the agreement, the government will back a wage hike on the "horizon" of inflation, a term that Palacios Mejia interpreted as meaning "slightly above or slightly below" the cost of living.

Pedro Rubio, from UTC, declared: "The government offered to adopt macroeconomic measures to achieve a reduction in interest rates in 1986, and acknowledged that the burden of the benefits is not the cause of inflation nor of unemployment."

Laureano Altahona, from CTC, added: "Tripartite groups will have to be set up to study costs, prices and wages in business firms, so that there will be a macroeconomic control of prices"; admitting that "the government will not always have us at the bargaining table."

Alfonso Vargas, from UTC, cited "political prices" and the "demagoguery of freezing prices," to point out the feasibility of controlling prices with macroeconomic instruments; but he admitted that some agreements have been made with the Ministries of Development and Agriculture, aimed at freezing certain prices. "It is something temporary, short-term," he remarked.

Following is the text of the agreement signed between the government and the labor federations:

On 18 November 1985, at the Ministry of Finance, between us, Alfonso Vargas and Pedro Rubio, representing UTC; Manuel Felipe Hurtado and Laureano Altahona, representing CTC; and Jose Corredor, representing CGT; and Hugo Palacios Mejia, minister of finance and public credit, the following agreements were reached on the handling of the economic and social policy; subject, of course, to the decisions of the Congress of the Republic, and without overlooking those which are constitutionally and legally incumbent on the national government:

1. Prices:

The Ministry of Finance and Public Credit and the labor federations pledge to back during 1986 an economic policy that will make it possible to curb the increase in prices within reasonable levels and, to seek, if possible, a reduction in the rate of increase from the rate at the end of 1985. The government and the labor federations declare that, for the purpose of protecting the workers' real income and price stability, they prefer to use to this end instruments of macroeconomic policy rather than artificial controls, for certain products or services, for which administrative decontrol will be sought.

2. Fiscal Deficit:

The government and the labor federations acknowledge that one of the leading causes of the rise in prices is money issues, which have been necessary to finance the fiscal deficit. The government and the labor federations take note of the fact that a considerable effort has been made by the government to curb the increase in operating expenses. Nevertheless, they note that additional, structural action is necessary, to cut public spending which exceeds the government's potential and this must be backed by the Congress. For this reason, the government and the labor federations pledge to insist, with the Congress of the Republic, on measures which, without sacrificing employment and without diminishing the rights which the laws establish in the realm of health and education, will allow for a reduction in public spending.

Similarly, the government and the labor federations, in order to eliminate the price hike due to money issues and the fiscal deficit, and to intensify the

nation's control over natural resources, agree to the need for adopting necessary administrative measures so that the decentralized enterprises which have an imbalance between costs of raw materials and sales prices for their goods and services will be able to readjust the latter. Such measures, however, must be supplemented by others which will reduce their short-term effects on the workers' real income.

For the same purpose described in the foregoing paragraphs, the government and the labor federations acknowledge the need for adopting measures to enable the government to collect the revenue that legally belongs to it, and to procure additional funds among the more prosperous sectors of the population.

When the government has more funds available or is required to spend less, it will use the resulting liquidity to accelerate the fiscal transfers that must be made to the social security and educational sectors.

### 3. Employment:

The government and the labor federations express their desire to encourage the creation of additional jobs in Colombia. For the foregoing purpose, the government and the federations pledge that, without interfering with the right to collective bargaining, they will not adopt measures that would lead to the replacement of manpower with other production factors. In addition, they will attempt to eliminate insofar as possible the taxes levied on employment and the institutional barriers to labor mobility.

The government, for its part, pledges to direct a substantial portion of the foreign credit that it contracts toward projects and sectors with a capacity for creating employment, such as agriculture and small and medium-sized industry. The government will continue to lend decided backing to Colombian exports and reasonable protection for the native industry and for the business firms in the financial and services sectors, insofar as the former, and the latter, could prove viable and efficient over the medium term.

### 4. Wages:

The government acknowledges the sacrifice made by the public sector workers in 1985, to prevent the fiscal deficit from becoming larger. For this reason, the government and the labor federations declare that, for 1986, it would be fitting for the Congress of the Republic to give the government powers to make structural cuts in public spending. The government, for its part, will make wage hikes in the public sector that are substantially higher than those made in 1985, but within the limits imposed by fiscal good judgment. These hikes will be equitable; in other words, they will take into account all the income and improvements enjoyed by the workers, so that there will be no sectors especially benefited or especially harmed by the increases that are adopted.

In the forthcoming discussions of the minimum wage, the government will back wage hikes within the horizon of inflation.

The labor federations express appreciation for the issuance of Decree 2992, of 1985, which took place during the dialogue with the Ministry of Finance, and which clarifies and corrects the withholdings at the source that had been stipulated in Article 3 of Decree 1889, of 1985. Nevertheless, the actual results of the new regulation will be examined.

#### 5. Devaluation:

The labor federations do not accept impositions, and back the national government in its rejection of the intentions of the International Monetary Fund in the matter of devaluation.

The government and the labor federations pledge, insofar as they are able, to create conditions for making the amount of devaluation in 1986 substantially less than that in 1985. However, the minister of finance notes that, in order to attain that goal, there must be control over the increase in domestic prices in the manner cited previously.

#### 6. Interest Rates:

The government and the labor federations acknowledge the negative impact that high interest rates have on employment, and note that this phenomenon depends, among other things, on the prevailing rates on the international markets and on Colombia's internal devaluation. The latter, in turn, depends on the rises in domestic prices; and the latter, as has been stated, depend largely on the issues necessary to finance the fiscal deficit. For this reason, they also recognize the need for having the Congress authorize the government to make additional efforts to cut public spending.

Within the aforementioned context, the government offers to adopt macroeconomic measures to achieve a reduction in interest rates during 1986, that is compatible with the need for maintaining a balance in the external sector and a suitable level of international reserves.

Since this agreement is being signed at the conclusion of the coordination process planned for the social pact, and after many events in the economic social and political realm, which occurred after the start of that process, the Ministry of Finance and the labor federations agree that it will be based on the spirit of this agreement that the final text of the social pact will be structured.

Jose Corredor, CGT; Manuel Felipe Hurtado, CTC; Laureano Altahona, CTC; Alfonso Vargas, UTC; Pedro Rubio, UTC; Hugo Palacios Mejia, minister of finance and public credit.

2909

CSO: 3348/246

COLOMBIA

# COMPTROLLER DENOUNCES POOR GOVERNMENTAL FISCAL MANAGEMENT

Bogota EL TIEMPO in Spanish 21 Nov 85 pp A-1, A-8

[Text] Yesterday, in the Congress, comptroller Rodolfo Gonzalez Garcia scored the scandalous looting of the country's resources, noting that the state will lose nearly 70 billion pesos in 1985 as a result of bad investments, gold purchases above the world price and decisions lacking in solid grounds.

Gonzalez Garcia asked the Congress whether, in view of a situation such as this, there is justification for approving refinancing to cover public spending and investments when, on the other hand, these open outlets are still maintained.

The comptroller disclosed an "industrialized theft" of 60,000 tons of salt per year at the Salinas Concession in La Guajira, valued at 600 million pesos; and proposed prompt, effective police inspections.

The overseer of the state budget called attention to the feasibility of identifying the origins of cumulative losses of 24 billion pesos at the Industrial Development Institute (IFI); and claimed that this agency lacks the social significance that would warrant Congress' approval of a refinancing of 20 billion pesos for it, or payment in kind for the Salinas Concession.

Gonzalez Garcia also asserted that "the monetary and fiscal authorities are feeding private capital," and cited the instance wherein the government paid 5.8 billion pesos to two groups of Bank of Bogota stockholders, for the purpose of democratizing the stock ownership, without achieving the latter. He proposed that the Congress investigate and debate this situation.

The comptroller spoke before the Senate's Third Commission, as a result of a summons given to him by former Minister Eduardo del Hierro Santacruz to report what he knew about the management of the IFI.

The summoned official mentioned "stupidity" in the institute's investments, "unrecoverable losses of 4.1 billion pesos in investments made in Iron Works of Colombia and Alkalís of Colombia, and losses of 24 billion pesos in bonds with constant value."

In his opinion, there must be an effort for "political responsibility in administrative decisions" and he expressed regret that the Congress and the Comptroller's Office "are protesting without a response."



While the Congress was debating the IFI investments in Papelcol, the National Council on Economic and Social Policy (CONPES) was distributing 2.8 billion pesos among business firms in question thusly: 997 million pesos was granted to Papelcol, 834 million to CARBOCOL [Colombian Coal, Inc], 214 million to the Rio Claro project, 100 million to Conastil, 431 million pesos for the Cerro Matoso debt service and 200 million pesos for the development of small businesses.

He added: "While the Congress was engaged in its debate with the IFI representatives, other officials from the same institution were approving advance payments on the highway for Papelcol amounting to 150 million pesos, not counting interest.

"As if that were not enough, in the \$1 billion package that the government is negotiating with the international banks, in new loans, Papelcol shows up again with \$16 million, and Cerro Matoso with an equal amount. It is clear to any inexperienced eye that further investment there is a risk that should not be run. These are funds that are going to be lost," warned Gonzalez Garcia.

He said: "The country is experiencing the dramatic wave being made by the regional trade associations with a jingoist spirit, and that is why we have set up a country of capitalists without money."

He noted how 50 percent of Avianca's shares of stock is worth 140 million pesos, and the Santa Fe soccer club's debt to its players is 146 million pesos.

#### Playing With the State

The comptroller claimed: "Avianca has 24 billion pesos committed; in other words, we are playing with the Colombian state's machinery to protect loans exceeding the capital invested in a scandalous proportion."

He reiterated the fact that, in the companies in which foreign investors share to exploit natural resources, "the risk capital is put up by the Colombian state after they tell us the story that the economic project has been completely devised."

Gonzalez Garcia included in this picture the case of Papelcol and CARBOCOL, and also cited the "fortunate case of the supposed oil boom that the country was supposed to have with Occidental. The same thing happened with the Cerro Matoso ferronickel."

The comptroller stressed: "The state entities are being dragged along by hasty policy decisions," reporting that his office investigated "the list of individuals who show up in all these major state business dealings, and the same attorney who did the business on Iron Works of Colombia, one of Santander's great disappointments, is the one who shows up doing the business on Papelcol: Samuel Hoyos Arango."

The Liberal senator, William Jaramillo Gomez, recalled that 70 percent of the business firms established around Tecointer de Montajes, in the Papelcol case, belong to or are creations of the family of Dr Hoyos Arango and his children.

And the Coal Also....

The comptroller, a Liberal economist from Santander, emphasized charges concerning prices of Colombian coal which are now bringing losses to the state. He asked: "Why is an economic project set up on the basis of \$60 per ton in one 5-year period, dropping to \$30 dollars?"

According to the former Liberal president, Alfonso Lopez Michelsen, the prices were planned on the basis of a study by the United Nations organization.

The comptroller claimed: "I checked, and the United Nations has never made a study of that. The prices were issued by Exxon."

"The same thing happened to us with ferronickel, and Colombia was never told that the trend for nickel was downward, because there was a replacement in the automotive engine and aviation industry, and because there were two major projects that were to conspire against a declining demand. The important thing about foreign investors is that they put equipment, "know-how," in Colombia, and when it is time for the equipment to operate, it fails to do so."

According to Jaramillo Gomez, "It was to be presumed that the foreign partners were aware of all that."

The comptroller also questioned the authority of an ECOPETROL [Colombian Petroleum Enterprise] representative on the board of associates for exploiting the native crude, who "has readily approved an investment of \$500 million, when the chairman of the board only has authority to approve up to 40 million pesos." And he asked: "What is the origin of that extravagant authority for associating the responsibility of ECOPETROL and the state with investment projects which have not proven attractive?"

The comptroller rejected exaggerated rumors claiming that Colombia would become an oil power, vying with Venezuela, Mexico and the Middle East. "We are no such thing, and our interests do not lie in a policy that would quickly deplete the wells, as happened, unfortunately, in Putumayo."

Gonzalez Garcia declared that, at present, "Shell is buying coal futures in Colombia, because the coal is of good quality and from a project that was never accompanied by a study that would enable the nation to make a good decision. In the projects involving ferronickel, coal and Papelco. one observes identical instances."

The one who called for the debate, Conservative Narino Senator Del Hierro Santa-cruz, said that the Congress "should impose restrictions on IFI's investments"; and, together with Jaramillo Gomez, announced that he would vote against the projects to refinance the institute and give it assets of the nation as payment in kind for debts of the Salinas Concession, a company which is directly subordinate to the institute.

### The Corruption Involving Salt

In conclusion, the comptroller disclosed a "fraud against the nation's patrimony amounting to 60,000 tons of salt per year, at the Salinas Concession; that volume is worth 600 million pesos."

He said that the perpetrators are generally residents of the interior part of the country who use the Guajira Indians to justify the theft of the salt.

The Indians take about 10,000 tons per year, but "the industrialized theft is 50,000 tons, and a diversion is made of the channels whereby the brine is processed or discarded."

Senator Del Hierro Santacruz remarked: "We cannot allow this drain and this looting of the nation to continue." According to his calculations, about 200 tons of salt per day were stolen from the Salinas Concession; an amount that would require at least about seven mule carriers to transport.

As a conclusion to the debate, Jaramillo Gomez and Del Hierro advised caution in the consideration of projects that would give IFTI financial backing. Senator Del Hierro announced that he would take the case of the Salinas Concession before the Office of the Attorney General of the Nation.

2909  
CSO: 3348/245

COLOMBIA

## 1986 BUDGETS TOTALING OVER 1 TRILLION PESOS APPROVED

Bogota EL TIEMPO in Spanish 21 Nov 85 p 14-C

[Text] Yesterday, the Congress converted into a law of the republic the bill containing the national budget for 1986, and the one containing the budget for the decentralized institutions for the same effective period. For the first time, both exceed the sum of a billion pesos.

At the same time, the government submitted for congressional consideration a bill adding 42 billion pesos to the 1985 budget, for the purpose of having sufficient funds to pay the December salaries and the Christmas bonus for central administration employees.

At the request of President Belisario Betancur, the Senate and Chamber third commissions began emergency negotiations yesterday to finance the budget deficit estimated by the government for 1986: (148.8 billion pesos), with monetary issues, issues of government securities and internal and external lines of credit. This Thursday, the representatives of the government-associated Liberal Party on those commissions will hold a meeting to determine the methods for solution suggested by the government.

The 1986 national budget amounts to 655 billion, and that of the decentralized institutions totals 529 billion pesos.

The proposer of the government's bill, Liberal Senator Pedro Martin Reyes, noted that the figures lack a correct calculation, with the revenue overestimated and the expenditures underestimated; for which reason he predicted a deficit that could exceed 200 billion pesos.

The also senator from the government-associated Liberal Party and former minister, Victor Renan Barco Lopez, expanded upon Martin Reyes' argument and, incidentally, criticized the government for liquidating shares of the sales tax allocated to the municipalities, based on collections amounting to 75 billion pesos and not on the real revenue of 125 billion pesos. As a result, he said, the municipalities would receive only 59 percent of what rightfully belongs to them.

The New Liberals reiterated their criticism of the shortcomings which appear in the budget as devised, and the lack of clarity in the objectives of the economic policy, a fundamental ingredient for making the budget the basic tool in the executive branch's program of action.

The congressional members of this political group voted against the draft budget, with comments claiming that "the calculations on revenue and outlays are weak."

They noted: "The consideration of the budget should not be confined to a mere arithmetical exercise."

Gabriel Rosas Vega, an economist and representative of New Liberalism, estimated the missing amount in the 1986 budget at 227 billion pesos.

#### Budget Addition

The bill adding to the 1985 budget includes 36 billion pesos in national savings bonds (TAN) and 6.2 billion in reserves.

Included in the distribution of the additional sums are the Ministry of Education, with 13.966 billion; the Ministry of National Planning, with 1.33 billion; the Ministry of National Defense, with 4.12 billion; and the Ministry of Health, with 1.456 billion, in the basic items.

2909

CSO: 3348/246

COLOMBIA

AMNESTY PROGRAM HAS COST 789 MILLION PESOS IN 3 YEARS

Bogota EL TIEMPO in Spanish 29 Nov 85 pp 1-A, 10-D

[Text] The comptroller, Rodolfo Gonzalez Garcia, disclosed yesterday that the amnesty for 1,217 persons during the past 3 years has cost the state 789 million pesos, a figure exceeding that invested by the Ministry of Justice's rotating fund to meet the needs of the judicial offices.

His office made an evaluation of the cost of the amnesty, but it did not include the number of those benefited by the Institute for Promotion of Higher Education (ICFES) or by the Institute of Family Welfare.

Following are main sections of the comptroller's office's evaluation:

The People's Financial Corporation, in compliance with the provisions of the aforementioned law, started in 1983 the advances of credit for the development of mini-enterprises for rehabilitation. As of September 1985, it had approved 137 loans in the amount of 123 million pesos. Of those, 127 were turned over, and five were refinanced, making a total of 109 million pesos; in other words, nearly 830,000 pesos for each one amnestied. For this purpose, the national government provided funds from the national budget totaling 150 million pesos; and, through the IFI [Industrial Development Institute], the corporation received a loan of 50 million pesos.

Article 2 of Regulatory Decree No 3287 established specific responsibilities for the Agrarian Fund aimed at carrying forward activities on behalf of those benefiting from amnesty. This entity's activities were to be directed toward granting loans, rural housing, provision of land, marketing, agricultural and livestock technical assistance, and technical assistance for reforestation and overall development. It was ordered that the interest on the loans was to be the lowest, and the terms and conditions for payment the most extensive, in comparison with all the development loans. Because of the foregoing, the fund granted 408 loans amounting to 214 million pesos, at the rate of approximately 525,000 per loan.

The accomplishments of the Colombian Institute of Agrarian Reform are associated with the acquisition and subsequent awarding of land, legalization of ownership through ownership titles, technical assistance rendered and the amount of credit

made available. In connection with these activities, the institute has turned over 6,601 hectares to 157 amnestied persons, granting loans in an amount equivalent to 152 million pesos, or 42 hectares per individual benefited, at a cost of 23,000 pesos per hectare.

In the implementation of Law 35 of 1982, ICETEX [Colombian Institute for Educational Credits and Overseas Technical Studies] has benefited 34 persons, with grants both abroad (17) and in the country (17). The educational credit amounts to 32 million pesos, allocating 27 million pesos for grants abroad, and 5 million pesos for those in the country, with an average amount per beneficiary of 941,000 pesos (1.588 million pesos for those abroad).

INSCREDIAL [Territorial Credit Institute] has provided 155 housing solutions, worth 130 million pesos. SENA [National Apprenticeship Service] has given training to 250 amnestied persons, with a sum estimated at 12.5 million pesos (an average of 50,000 pesos per apprentice). CFP [People's Financing Corporation] benefited 85 amnestied persons, granting them loans totaling 31 million pesos; in other words, the financing per vehicle for public service totaled 365,000 pesos.

In addition to the aforementioned entities, there are other agencies which have participated to a lesser extent in the implementation of the law. They include the National Corporation for Tourism, which granted a loan for the operation of a restaurant amounting to 300,000 pesos, which has become 600,000 to date, with interest in default.

It is also worthwhile mentioning the activity of the National Guarantee Fund, an entity responsible for serving as backer of the loans granted by the People's Financial Corporation. That entity began its activity in July 1982 and, for lack of funds, terminated on 31 August 1984. During the period of its operation, it guaranteed 123 contracts, totaling 56 million pesos, contributing to the creation of 200 mini-enterprises for rehabilitation.

Finally, based on the authorization in the same law, the Amnesty for Peace Rotating Fund was created, associated with decentralized agencies and the private sector. The revenue in this fund comes from budget funds of the Ministry of Interior, totaling 85 million pesos, and donations from various official banks and from the Agrarian Fund, amounting to 26 million pesos. During the year when the execution of the law began (1983), 46 million pesos was collected; in 1984, 45 million; and in 1985, 20 million.

As a result, the counting of the information received shows noteworthy results. During the 3 years that the law has been in effect, 1,217 amnestied persons have been benefited, with a cost to the state of 789 million pesos, an amount exceeding that invested during 1984 by the Ministry of Justice Rotating Fund, which was 765 million pesos.

The cost of the amnesty and the number benefiting could increase, if the results presented are added to those relating to the ICES and ICBF [Colombian Family Welfare Institute].

Amnesty for Peace Rotating Fund, Revenue for 1983-1984 (millions of pesos)

Entities	1983	1984	1985	Total
Ministry of Interior	25.0	45.0	15.0	85.0
Donations				
Coffee Growers Bank	1.0	-	2.5	3.5
Central Mortgage Bank	5.0	-	2.5	7.5
People's Bank	5.0	-	-	5.0
Bank of the Republic	5.0	--	-	5.0
Agrarian Fund	5.0	-	-	5.0
Total	46.0	45.0	20.0	111.0

Source: Ministry of Interior

Cost of Amnesty, 1982-1985

Entities	No. Amnestied	Cost (millions of pesos)
People's Financial Corp. *	127	106.2
Agrarian Credit Fund **	408	213.8
Colombian Institute of Agrarian Reform **	157	152.2
ICETEX	34	31.8
INSCREDIAL	155	130.1
Amnesty for Peace Rotating Fund	-	111.0
National Corporation for Tourism	1	0.6
National Apprenticeship Service ***	250	12.5
Transportation Financing Corporation	85	31.0
Total	1,217	789.2

Source: Reports received from the different entities

\* As of September 1985

\*\* As of June 1985

\*\*\* For lack of a concrete report, a cost per amnesty of 50,000 pesos was set.

2909

CSO: 3348/277



COLOMBIA

## NO ACQUIESCENCE TO FOREIGN PRESSURE FOR OIL EXPORTS

Bogota EL ESPECTADOR in Spanish 22 Nov 85 p 13-A

[Text] Bucaramanga--The minister of mines and energy, Ivan Duque Escobar, declared that the Colombian state will not under any circumstances tolerate pressure on the part of foreign companies to arrive at export figures that are not rational and feasible for preserving its self-sufficiency.

The official, speaking at the opening of the symposium on oil in Colombia and in the world, organized by the Santander Engineers Association in this city, claimed that the petroleum exporting countries' organization, OPEC, is losing more power every day.

The head of the Ministry of Mines reiterated once again that the Betancur administration would not foster any substantial change in the association contracts with foreign oil firms.

Duque Escobar maintained that Colombia's oil future is clear, thanks to the abundant deposits discovered in the intendency of Arauca, whereby the country's crude reserves increased to 1.2 billion barrels.

He noted that, "We have the pressing need to attempt exploration of gas in our territory, a resource the reserves or deposits of which amount to 3.8324 billion cubic feet."

### Self-Sufficiency

"Our country is optimistically awaiting the coming year of 1986 to return again to self-sufficiency in oil, and to rejoin the international market as an exporting country. We are channeling all our activity to have the required projects completed within a few months, so as to attain our goal of being self-sufficient."

The minister recalled the history of the association contracts signed by Colombia with foreign companies, pointing out that, during the past 10 years, crude costing over \$4.3 billion had been imported.

Duque Escobar remarked: "President Betancur's government will not foster any substantial change in the association contract. I wish to reiterate that policy again today."

Immediately thereafter, the minister of mines and energy spoke on the future of oil in Colombia and the world, at the symposium opening ceremony, observing:

"We do not consider it fitting to sponsor reforms that would do our oil policy very little good. On the contrary, I believe that, if we put ourselves in the position of reformists without serious, concrete, future-oriented policies, we would create an unprecedented anxiety and we would set back the positive achievements that we have made during the past 10 years."

Nevertheless, the official agreed that the association contracts could be subject to modifications or adjustments, seeking greater equity and justice, based on the lasting nature of the acceptance and the foreign investors.

He underscored the importance of the discoveries in Cano Limon, in Arauca, by the Cravo Norte Association, whereby the country's crude reserves rose to 1.25 billion barrels.

#### Pressure Not Tolerated

Duque Escobar asserted that the state deems it advisable to rationally ensure the country a self-sufficiency lasting 8 or 10 years, based on proven reserves.

The minister of mines stressed that the Colombian state would not under any circumstances tolerate pressure from the foreign companies aimed at increasing crude exports.

He disclosed that, at the present time, technicians from the Ministry of Mines are working on the devising of clearcut policies in the realm of hydrocarbon sales abroad.

He noted that the state has the legal mechanisms for ensuring the country's self-sufficiency.

2909

CSO: 3348/245

COLOMBIA

## MONETARY BOARD APPROVES MEASURES ON CAPITALIZATION, IMPORTS

Bogota EL TIEMPO in Spanish 21 Nov 85 p 14-C

[Text] Yesterday, the Monetary Board approved new measures on the capitalization of business firms and banks, the use of judicial reserves and refinancing of loans to the victims of the volcanic eruption of the Arenas crater of Nevado del Ruiz; and issued four resolutions on external credit, the Vallejo Plan, coffee growers' refunds and CARBOCOL [Colombian Coal, Inc] loans. At the same time, it increased the annual import quota from \$3.36 billion to \$3.6 billion, a measure that will go into effect as of next month.

The measures approved by the monetary authority, concerning which resolutions will be issued within the next few days, are associated with the following matters:

1. The loans granted to the rural producers in Armero and Chinchina hurt by the volcanic eruption and the floods will be refinanced, and their due dates will be extended for another 6 months. The measure will cover loans amounting to nearly 400 million pesos, charged to the Agricultural-Livestock Financing Fund.
2. There will be a modification in the terms of Resolution 60, of 30 October of this year, which determined the periods for the Monetary Fund's redistribution of credit funds to capitalize the financial system. Starting now, the date will be left open, and the Bank of the Republic will be authorized to grant loans with complete discretion.

An increase will also be established in the interest on loans used for the purchase of stocks and bonds from banking entities. The former will rise from 18 to 21 percent, and the latter, from 18 to 23 percent. The measure is associated with the rise in the inflation rate which occurred this year.

3. A modification will also be made in the terms of Resolution 54 of this year, relating to the refinancing of debts owed by business firms to banks, with the capitalization of part of those debts and the capitalization of the financial entities themselves, with credit backing subsidized by the government. The modification will consist of eliminating the requirement imposed on the banks to capitalize their debts before invoking the terms of their own capitalization. As a result, they will be able to capitalize the debts contracted with them by the business firms, simultaneously, or subsequently.

4. The use of the actual reserves will be allowed on judicial deposits, that is, on monies which the banks must freeze at the order of the courts, involving attachments and other court action. However, the use thereof will have to be specific and related to the same litigation and entities involved.

In addition to the foregoing, four resolutions of the Monetary Board were issued yesterday, associated with the following matters:

1. Resolution 77, whereby the regulatory resolutions on the financing that is in operation in the import-export system, known as the Vallejo Plan, were compiled, and a slight amendment was made in the procedures for using the "several creditors" account.

2. Resolution 78, whereby the regulations in effect in the area of interest and commissions involving external credit transactions were compiled. The resolution stipulates that the maximum interest rates must not exceed the prime rate (preferential rate on the New York market), plus 2.5 percent, nor the Libor (London rate), plus 2.5 percent.

3. Resolution 78, whereby an increase is made in the coffee growers' refund, from \$204.50 to \$224.40 per 70-kilogram bag.

4. Resolution 80, whereby authorization is given to postpone some debts and an amendment is made to Resolution 48, of 1985. According to this resolution, banks and financing corporations are authorized to extend certain loans granted to CARBOCOL. There is also a modification in the terms set in Resolution 48 on advance refund of foreign exchange for coal exports.

2909

CSO: 3448/246

COLOMBIA

BRIEFS

EXPORT PRODUCTS, PORTS RANKED--According to official statistics, fresh or dried bananas, flowers, ferronickel, corrugated cardboard boxes and bituminous coal, which has displaced cement, are Colombia's five leading export products, after coffee. These five major export products recorded by means of special systems in turn represent 56.25 percent of the minor exports, among which, during the first 5 months of this year, bananas generated \$67.275 million (21.34 percent); flowers, \$48.484 million (15.34 percent); and ferronickel, \$34.018 million (10.79 percent of the total). During the first 5 months of this year the latter rose to \$315.217 million, and 1,329,402 tons. The other exports, with a share under 5 percent of the total, were gray cement; frozen crustaceans and mollusks; books, leaflets and printed matter in general; and raw cotton fabrics with over 85 percent natural fibers; and in 10th place, fabrics lined with artificial material, for women. Ranking 11th and 15th are polystyrenes, fungicides, uncrushed cement or clinkers, unprocessed cotton yarns and outerwear for men and boys, made of synthetic fibers. In 16th place, with a 1.09 percent share, are raw sugars, chocolate and other preparations; cotton outerwear for women and girls, and other cotton fabrics; and ranking 20th is women's and girls' outerwear made of artificial fabrics, followed by carboxymethylcellulose, citric acid, bovine hides and skins, and gelatines; and, in 25th place, leather handbags. Insofar as the shipping ports for exports are concerned, the leading one is still Buenaventura, with 30.98 percent of the total; followed by Bogota, with 18.83 percent; Cartagena, with 16.96; fourth, Santa Marta, with 15.13 percent; fifth, Turbo, with 4.68 percent; sixth, Cali, with 4.04 percent; seventh, Medellin, with 3.95 percent; and eighth, Barranquilla, with 3.35 percent of the total. The other export ports showing a share less than 1 percent for exports are Armenia, Bucaramanga, Cucuta, Ibagué, Manizales, Palmira, Pereira and San Andres [Text] [Bogota EL SIGLO in Spanish 22 Nov 85 p 9] 2909

COFFEE CROP NOT DAMAGED--The eruption of the Arenas crater of Nevado del Ruiz, and the profuse emanation of ash in the leading coffee-growing areas, did not hurt the country's coffee crop nor the bean's quality, nor will it prevent Colombia from fulfilling its export quotas. This claim was made by the manager of the Coffee-Growers Federation, Jorge Cardenas Gutierrez, who at a press conference noted that an increase of 1 million bags in the export quota is expected this week. The readjustment would occur owing to the rise in the international price of the bean, which brought the average mobile price for the past 2 weeks to \$1.40 per pound. This increment will represent additional sales for Colombia totaling 161,000 bags. [Excerpt] [Bogota EL ESPECTADOR in Spanish 19 Nov 85 p 11-A] 2909  
CSO: 3348/245/246

CUBA

## LOW CANE PRODUCTION IN PEASANT SECTOR ANALYZED

Havana GRANMA in Spanish 23 Oct 85 p 2

[Article by Orlando Gomez]

[Text] The important topic of the decline in sugarcane production in the peasant sector was analyzed recently in Las Tunas by Comrade Julian Rizo, member of the Secretariat of the Party Central Committee, with respect to the last two harvests (in 1985, 159 million arrobas less than in 1984, and in 1984, 37 million arrobas less than in 1983). Returning to this issue, it is necessary to delve into this negative trend and learn its myriad causes so that short- and medium-term solutions can be found to turn this situation completely around. Such measures have been underway for some time.

It is interesting to note that during the first 3 years of the current 1981-85 5-year period, our peasant cane cutters increased their production by an average of 115 million arrobas each year. But in 1984, and even more in 1985, production and yields began to fall substantially. They reached approximately the same levels as in 1981, a trend which constitutes a considerable setback for growth in this vital sector of the national economy. And the 19 percent of the country's total sugarcane production that the peasant sector delivers to the sugar industry each year is no small amount.

It should be pointed out that the earth compacting work of individual peasants who decided to join the Agricultural-Livestock Cooperative (CPA), and the technical-material support our socialist state gave the cooperative movement--especially the cane cutting detail--both had a great deal to do with the production growth recorded in this sector in the initial years of this 5-year period.

Nevertheless, since the 1984 harvest high production costs have begun to plague many sugarcane CPAs and individual peasants devoted to this major crop, especially on those plantations where yields are less than 70,000 arrobas per caballeria. The result has been low profit margins and economic yields.

Moreover, another factor that already had to be accounted for was that the sugarcane CPAs were beginning to pay back part of the tremendous investments that had been made since 1981 in their collective enterprises, facilitated by the state. This in turn hampered the economic situation of those CPAs that

had undertaken irrational investments that exceeded the capacities of their labor force, technical and organizational management, scales of production, and other factors that could give them a rapid and effective response to the credit requested from the Bank to undertake their investments.

Other factors that undoubtedly had a significant influence on the slump in production and peasant cane cutting yields in 1984 were the drought that has been plaguing Cuban agriculture for 2 years, and the failure of the peasant cane cutting sector to comply with schedules for planting and transplanting rootstalks.

Other causes of the dangerous slide in cane production include the lack of sufficient attention to cultural matters on the peasant plantations in the last 2 years. This situation is especially bad among individual farmers in the Credit and Service Cooperatives (CCS), most of which did not receive enough technical-material support or the attention their important crops merit.

#### New Incentive Prices

All of the above prompted the competent agencies--including the National Association of Small Farmers (ANAP)--to conduct a thorough analysis of this situation. As a result, recently the government leaders approved a series of measures designed to stimulate production and encourage the Ministry of the Sugar Industry (MINAZ) to pay more attention to the peasant sugarcane sector.

A basic principal of the new mechanism for stimulating production through prices is that any new economic income for farmers must derive from additional cane production, without any decline in current volumes or in the maintenance and improvement of varieties, so that the present low average yield per harvested caballeria will not continue to deteriorate.

The premises of the payment method, which will take effect with the next harvest and will last throughout the 1986-1990 5-year period, will be the following:

Based on the yields obtained, as an average, each producer (CPA and individual peasant) that has marketed sugarcane during the 1982-83, 1983-84, and 1984-85 seasons will be classified into a group according to his yield, from 60,000 arrobas to over 100,000 arrobas per caballeria. The incentive price will be paid when the real yields obtained are higher than the average for the three seasons mentioned.

Sugarcane producers with less than 60,000 arrobas per caballeria, on the average, will receive the incentive price only when they attain yields greater than 60,000 arrobas. Higher incentive prices are stipulated, with larger increments, for those who harvest 70,000, 80,000 and 90,000 arrobas of cane per caballeria.

Peasant producers with yields higher than 100,000 arrobas per caballeria will be treated differently from the rest. They will be encouraged with a special price for all of their production.

Another element of the new prices for sugarcane harvesting is that for the producer to receive the extra price--always given for increases in agricultural yields--the total area devoted to sugarcane must be equal to or greater than that of the previous year. As an additional measure to boost sugarcane production, the state will underwrite 50 percent of the cost of opening up new land for cane in addition to existing fields. This benefit cannot be applied to replanted areas.

Another regulation that was approved is that the State Finance Committee and the National Insurance Enterprise (ESEN) must implement the provisions related to the optional nature of crop insurance covering sugarcane, taking into consideration the criteria laid down by MINAZ, the National Bank of Cuba (BNC) and ANAP.

The measures taken will also benefit the sugarcane producers for whom the State Pricing Committee will make changes as of 1 January in the prices of knives, chains, hoses and other accessories used as spare parts in the repair of the nearly 500 cane combines that the CPAs specializing in this area already possess. In addition, the rates (prices) for technical-productive services will be revised, and the rate per 100 arrobas cut and loaded by individual harvesters will be lowered by 1 peso.

Clearly with the decisions approved for peasant cane production, the country is taking steps forward in the widening search for better agricultural yields, greater supplies of raw material for our sugar industry, more efficient agro-industrial processing of sugarcane, and a more rational distribution of cane soils throughout the territory by stimulating the yield per unit harvested. Moreover, through the pricing mechanism, it will be able to be more consistent about applying in this vital sector of the national economy the socialist principle that is so fitting for Cuba's current social stage: "From each according to his ability, to each according to his work."

Everyone is aware that even though sugar prices are falling steadily in the capitalist world, leading to significant declines in production and the bankruptcy of numerous cane cutting and sugar businesses, as well as higher unemployment among the workers in these sectors, in our socialist society the purchase price of the cane produced by peasants is rising.

We are confident, since we are fully aware of the attitude of our peasant cane cutters and their traditional love for that generous and cherished plant, that all those committed to this important task for our people and our country will give the expected and necessary response.



**Peasant Production and Yields**  
**1981-85 5-Year Period**

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Production					
(in billions of arrobas)	1.046	1.134	1.272	1.235	1.076
Yield					
(in thousands of arrobas)	70.7	71.0	72.7	67.4	63.4 (est)

8926

CSO: 3248/96

MEXICO

PAN CHIHUAHUA GUBERNATORIAL CANDIDATE CHOICE SET FOR 26 JAN

Mexico City EXCELSIOR in Spanish 29 Nov 85 pp 4-A, 22-A, 36-A

[From "Political Fronts" column, by Guillermo C. Zetina; for related article see JPRS Latin America Report of 26 Nov 85 (JPRS-LAM-098), p 100]

[Text] Intense Battle in Chihuahua: PAN

"PAN [National Action Party] has every chance of winning more victories in the 1986 elections," claimed the PAN mayor of Ciudad Juarez, Francisco Barrio Terraza, explaining: "Just like the economy, the political control has gone out of the Federal Government's hands." Alejandro Irigoyen reports: "The deterioration is increasing, and at a fast pace."

He claims that the electoral battle in Chihuahua "will be intense," adding: "PAN will adopt its own style of candidate for governor, in order to create conditions so that the political cost will force the system to yield the state power to the opposition."

Barrio has been a potential National Action candidate for the governorship since the well-known electoral victory that he won as a candidate for mayor of Ciudad Juarez, defeating Santiago Nieto. On 26 January, it will be decided whether he will be a candidate, although mention has also been made of Luis H. Alvarez, former presidential candidate and mayor of the Chihuahua capital.

2909

CSO: 3248/100

MEXICO

PAN ANGERED BY BILL TO 'REFORM' CHIHUAHUA ELECTION LAW

Mexico City EXCELSIOR in Spanish 5 Dec 85 pp 4-A, 20-A, 28-A, 30-A

[From "Political Fronts" column, by Guillermo C. Zetina]

[Text] A bill sent by PRI [Institutional Revolutionary Party] to the Chihuahua local congress brought about a political storm in that state, where the National Action Party [PAN] threatened to withdraw from the coming elections and give up the positions representing the people that it holds at present, such as the mayors' offices in Chihuahua, Ciudad Juarez, Camargo and Delicias, and five local deputies' offices.

The proposal from PRI members Mario Guerra Favela, Victor Aguilar Arista and Jorge Castillo calls for reforms to the administrative code, aimed at making the officials for voting booths and party representatives for the forthcoming elections residents of the section that they would represent, accredited with a length of residence of at least 6 months; and also making the parties' general delegates number as many as three for each electoral district, at the discretion of the Electoral Committee chairman.

After meeting yesterday with the acting governor, Saul Gonzalez Herrera, accompanied by mayors and deputies from his party, the PAN leader, Guillermo Prieto Lujan, noted that those reforms "reveal that the government is ready to commit electoral fraud, not only by altering the electoral list, stealing ballot boxes and pressuring voters, but also by committing a 'technical' fraud, with the legal grounds that the passage of this law would give it."

Prieto added: "It would be better to propose the cancellation of the elections in Chihuahua, because there is apparently no intention of letting the people vote for any option other than the government's."

The PAN mayors of Chihuahua, Ciudad Juarez, Camargo and Delicias (Luis H. Alvarez, Francisco Barrio Terraza, Carlos Aguilar Camargo and Horacio Gonzalez de las Casas) told correspondent Alejandro Irigoyen that, if the bill is passed, they will explore the possibility of withdrawing from their positions, "because the seriousness of the situation demands a forceful response, which will represent a high cost for the system."

Barrio claimed that the bill is aimed at "making the electoral process less democratic." De las Casas remarked: "While there is talk of democracy, with this law any possibility of the electoral parties' participation in the elections is precluded." Alvarez commented: "The political system must fully assume responsibility for its actions; and if, perchance, it thinks that Mexico is not ready for democracy, let it say so openly."

While the PAN commission was attempting to hold a hearing with the acting governor, over 100 members of the Popular Defense Committee stationed themselves in front of the governor's offices, insulting the PAN members, who had to run and take shelter in offices. The mayor of Ciudad Juarez, Francisco Barrio, sheltered himself in the offices of the general secretary of government, Rogelio Villalobos, according to Alejandro Irigoyen.

2909

CSO: 3248/100

MEXICO

EIGHT PRI DURANGO 1986 GUBERNATORIAL CONTENDERS NAMED

Mexico City EXCELSIOR in Spanish 7 Dec 85 pp 4-A, 21-A

[From "Political Fronts" column, by Guillermo C. Zetina]

[Text] Governor Armando Del Castillo Franco declared yesterday that PRI [Institutional Revolutionary Party] will not nominate its candidate for governor of Durango this year.

He claimed that the aspirations of those mentioned to succeed him in the position after 15 September 1986 are legitimate; citing the secretary of education, Miguel Gonzalez Avelar; the labor senator, Jose Ramirez Gamero; Maximiliano Silerio Esparza, Angel Sergio Guerrero Mier, Carlos Galindo Martin, Guillermo Becker Arreola, Fernando Favela, Gonzalo Salas and others as viable prospects.

Del Castillo noted that these names "have been heard in political circles, but they have by no means come from the state government."

Our correspondent in Torreon, Coahuila, Alonso Gomez Uranga, asked the governor whether Fidel Velazquez' remark that the one who moves doesn't come out in the photo was applicable to the succession; and he replied: "That's so, but the one who averts his gaze doesn't come out either."

2909  
CSO: 3248/100

MEXICO

# JUDGE SEES FURTHER DELAY BEFORE VERDICT IN DIAZ SERRANO CASE

Mexico City PROCESO in Spanish No 471, 11 Nov 85 pp 30-31

[Article by Miguel Cabildo]

[Text] Less than a month away from the halfway point in the Moral Renovation presidential term, most of the trials of former government officials are in a state of semi-paralysis.

Legal maneuvering on the part of defense attorneys as well as the agents of the Public Ministry assigned to the courts is delaying the decisions, holding up the sale of confiscated goods, and preventing the prompt and expeditious meting out of justice.

Jorge Reyes Tayabas, judge of the 9th District Penal Court, explained to PROCESO that the delay in some trials is not due to orders from above or pressures. "The autonomy of the Judiciary is completely intact," he said.

He noted that in all cases a reasonable deadline is given for the submission of evidence by both sides, as long as the evidence is appropriate and relevant.

The defendant has a right to have a verdict within a constitutionally mandated period (1 year), but many waive that right and resort to all possible legal remedies to prove their innocence.

"But there is a rational limit to all this," he added, "because we can't spend our entire lives on a single case."

Among the many cases on the docket in Reyes Tayabas' court is that of former PEMEX director and Senator Jorge Diaz Serrano.

Regarding that matter, he stated: "There are still a lot of matters pending, and as long as the two sides keep submitting more evidence, we cannot end the proceedings. That is why I think the verdict will be a long time in coming."

Diaz Serrano is being held at the Reclusorio Sur jail, where it was confirmed that although he is in good health, he is in a state of severe depression.

Other cases have already gone through the necessary procedures and are ready for the final conclusions. Such is the case of Efrain Niembro Carsi, former director of technical economics at the Secretariat of Agriculture and Water Resources. He is accused of bribery and fraud involving more than 36 million pesos, in a case pending in the 1st District Penal Court.

Salvador Jauregui Preciado, an aviation pilot for the Federal Electricity Commission, is also being prosecuted in that court for fraud, falsification of documents and criminal association, for more than 147 million pesos.

Other cases awaiting final resolution are that of former Deputy Lidia Camarena, accused of fraud; Hector Garcia Hernandez ("El Trampas"), accused of fraud involving more than 100 million pesos, in a case that is now on appeal; and former Airports and Auxiliary Services (ASA) Director Jorge Cendejas Quezada, who is being prosecuted for fraud and falsification of documents for more than 100 million pesos.

Another noteworthy case is that of Leopoldo Ramirez Limon, who has three charges against him: fraud, embezzlement and abuse of trust.

According to reports from the Office of the Attorney General of the Republic (PGR), most of those being prosecuted under the Moral Renovation program had more than 12 billion pesos worth of goods seized from them, including works of art, cars, jewels and various commercial papers.

Due to the delay in the final disposition of the cases, the PGR has not been able to auction off these goods. The problem is that as long as no verdict has been rendered, none of the goods seized as a precautionary measure can be put up for sale.

8926

CSO: 3248/99

MEXICO

B. JUAREZ ON CLERICAL DEPUTIES QUOTED IN EPISCOPAL ORGAN

Mexico City DOCUMENTACION E INFORMACION CATOLICA in Spanish 24 Oct 85 p 686

[Commentary by Father Olimon Nolasco]

[Text] Editor's Note: On 9 September 1985 Father Olimon Nolasco, professor of history at the Pontifical University of Mexico (UPM) sent to the column "Foro de Excelsior" a letter regarding an article titled "Harmful Religious Sects." The letter calls for the clarification of some issues, and ends with a quotation from the Official Gazette of the Supreme Government of the Republic in 1867, in which Benito Juarez expresses his opinion on "clergymen" running for deputy seats. Here is Father Olimon's article, which has not yet been published in "Foro de Excelsior":

I would like to take up some space in "Foro de Excelsior" to state that the article titled "Harmful Religious Sects" by Jose Cabrera Parra (9 September) contains some elements that require clarification. If the article contained an official position and not just a personal one, the clarification is no longer just advisable but becomes imperative.

It is imprecise to lump together " . . . various religious groups of all kinds of creeds and churches." The Catholic Church in Mexico is not a sect, and its presence is intrinsic, not external, to the soul and the history of the nation. A few days ago, the Episcopate recalled some irrefutable points: "This people rallied around a close and intimate symbol, the Virgin of Guadalupe, whose mestizo image was taken by Father Hidalgo from the Atotonilco sanctuary to symbolize a struggle and a hope that culminated in the 'three guarantees' of the Plan of Iguala, which are forever embodied in the colors of the flag" (Cf. Excelsior, 7 Sep pp 5 and 28).

A certain amount of political influence is normal in a proper evangelical movement, and in modern societies it is an element of genuine democratic coexistence. It is quite another matter, however, when seditious, violent or common criminal acts are committed on the pretext of religious teaching. These acts must be ferreted out and proven, so that we will not live under the "law of the jungle," especially since, happily, there is no crime of "social dissolution."



On the other hand, it is dangerous and conducive to repression to deal with these matters by presenting arguments of exception, as the current constitutional system does, with repeated but never proven claims of "anti-patriotism" or requests for intervention by the executive branch (Ministry of Government). We must be courageous enough to put these questions in the proper perspective in historical and sociopolitical research, in the legislative and judicial spheres. Is the infringement of Mexican citizens' civil rights just merely because it appears to be legal?

I believe we should reflect on what Benito Juarez stated in 1867, regarding the possibility of clergymen running for deputy seats: "With regard to clergymen, since they are citizens it does not seem fair to deprive them of one of the most important rights of citizenship. Furthermore, the presumption that they would exert an undue influence to become deputies does not seem sufficient reason to deprive them of that right; because we must necessarily trust in the electors' discretion to choose a deputy properly and freely, and because the influence of the clergy has not commonly been considered so dangerous, and priests have not usually been so presumptuous as to try to exert an illegitimate influence to have themselves elected, but rather to elect people they trusted." (Official Gazette of the Supreme Government of the Republic, Volume I, No. 1, 20 ag. 1867).

Facing the elections of 1867 and a problem that is not stated in those terms today, sensitivity to justice, prudence, and a sense of risk prevailed. Did they prevail in the 1985 elections, and will they in 1988? We hope so. Mexico cannot fear democracy, because that would reduce it to a faction.

8926

CSO: 3248/99

MEXICO

## BANRURAL INCREASES INTEREST RATES ON LOANS TO FARMERS

Mexico City LA JORNADA in Spanish 12 Oct 85 p 10

[Article by Jaime Contreras Salcedo]

[Text] Taking a measure that will surely make credit conditions even more difficult for small producers and will have repercussions on agricultural and livestock production, the National Rural Credit Bank increased its interest rates, raising some of them to levels charged by the commercial banking system.

As of October 1, the cost of credit for peasants with the lowest income increased by 27 percent compared with the rate in force in September. Meanwhile, agroindustry receives the same treatment as commercial banks grant to commerce and industry.

The same interest rates are charged by the Institutional Trusteeships for Agriculture (FIRA) of the Bank of Mexico and the Trusteeship for Credit in Irrigated and Rain-watered Areas (Ficart) with the approval of the economic cabinet.

For low-income producers who receive up to one thousand times the minimum rural wage, the interest rate rose from 32 to 40 percent for crop- and equipment-secured loans, and rose from 30 to 38 percent for farm loans. This rate is charged on credit contracts being made for the autumn-winter 1985-1986 season that is now beginning.

For agroindustrial and commercial activities interest rates of 59 percent will be charged for basic products and 67 percent for other products. This last figure is three points lower than the average of the rates of interest (70 percent) charged by commercial banks.

Thus, for example, a one-million-peso credit would mean paying 670,000 pesos in interest: about 4,575 pesos a day, the equivalent of slightly more than a month's wage of the average farm worker.

On the other hand, the discount levels for producers of basic products are equal to that applied to other activities, such as export crops, both in

primary farm activities and in agroindustry where yearly income exceeds three thousand times the minimum rural wage.

Other programs and trusteeships charge 36 percent interest on crop- and equipment-secured loans, and 34 percent on farm loans in the case of the lowest income producers and from 44 to 42 percent for middle-income produce producers.

Large producers pay 58 percent on crop- and equipment-secured loans, and 56 percent on farm loans.

12856/9190

CSO: 3248/68

MEXICO

BRIEFS

RAIL WORKERS' WAGE BOOST--Veracruz, 11 Oct--The Mexican National Railroads Directorate authorized for workers in general a 30 percent wage increase that will also apply to pensions of retired workers, it was reported here by the president of the Vigilance Committee of the Railroad Workers Union of the Mexican Republic, Jorge Peralta Vargas. The increase will be effective as of 1 Oct, as railroad workers already began to collect retroactive payments on the increase authorized by the enterprise on 1 Nov 1984. He said about 6,300 employees collected 3.5 billion pesos altogether. Peralta Vargas said that the crisis the enterprise is going through is due to the fact that the real costs of railroad service are not being charged. If this situation continues "the company will remain in bankruptcy and the federal government will have to continue subsidizing it." It is not advisable, he said, to reduce the total of 80,000 workers employed throughout the country since at this time the federation has demanded greater production from the railroad union so as to lower the curve of working hours on transport service. In order to reach this goal, he said, it is necessary that all railroad workers and the government collaborate in an organized way so as to avoid any conflict between the employer and the union. [Text] [Mexico City EXCELSIOR in Spanish 12 Oct 85 STATES section p 3] 12856/9190

CSO: 3248/68

NICARAGUA

MOTIVES, HOPES OF FDN PEASANT REFUGEE RECRUITS EXPLORED

Munich SUEDEDEUTSCHE ZEITUNG in German 5 Dec 85 p 3

/Article by Kurt Kister: "Gathering Strength in Camps of Misery-Refugees From Nicaragua Return as Anti-Sandinista Fighters to Their Homeland From the Camps in the Border Area"/

/Text/ Jacaleapa, late November 1985--It surely is not just a coincidence that the road leading from Tegucigalpa via Danli to the border between Honduras and Nicaragua ends at a place called Las Dificultades. Las Dificultades translates "difficulties," and no other name would be better suited to describe a place on that border--in fact, the entire region. Not perhaps because by central European standards it is in fact not all that easy to get from the capital of Honduras, Tegucigalpa, to the border area 120 kilometers to the northwest. The "only thing" the traveler needs to do is to find the right bus station among the numerous stations in one of the shantytowns proliferating seemingly without end across the hills of Tegucigalpa and arrive there in time to come up with a seat. Then, if after a ride of an hour and a half through lush country of medium-high mountains he is fortunate enough to find one of the venturesome taxis in Danli, a provincial capital composed of corrugated iron and wooden huts, he has almost reached his destination. Between Danli and Jacaleapa, the passenger notes how wonderfully the broken shock absorbers of the taxi increase the effect of the numerous potholes, an experience he is then allowed to pay for by giving the driver a fare which doubtless is strongly inflated--for, after all, the taxi driver knows his gringos. Having advanced this far, the visitor has reached the point of no return. Either he gets on a Red Cross vehicle that happens to pass by, or he simply walks the remaining 6 kilometers to the Jacaleapa refugee camp.

The Root of All Evil

This last cross-country way leads right into the problems of a crisis-shaken region. About 30 kilometers from the green border with Nicaragua, approximately 2,800 Nicaraguans are housed in the Campamento Jacaleapa--people who have fled from a war which has been waged with increasing bitterness for 5 years at the nearby northern border of the Sandinista state, but also at the other end of Nicaragua, where it borders on Costa Rica. The

Nicaraguan Army, the militia forces and a sizeable number of more or less well armed formations are confronted by a total of 15,000 to 20,000 guerrillas. In Nicaragua they are referred to briefly as "La Contra" --the counterrevolution.

Pascual Cornejo recounts that, risking his life, he left on 15 October 1982 in a caravan of 700 people to escape across the mountains to Honduras, traveling for 3 days. "At that time," he reports, "there was a lot of fighting for Jalapa, the town I come from." The Sandinista Army had forced him to leave his rural possessions: "I lost everything--my cows, my fields." Nicaragua had been a rich country before the revolution, but now "everything is gone." For Jose Ramirez too, who fled from his homeland across the border with Honduras, the Sandinista revolution is the root of all personal evil. He had refused to join the militia, and this had led to his arrest: "I do not want to take up arms for the Sandinistas. So I left everything behind and came here."

A lot of the men who surround the visitor in a kind of common room, which at the same time serves as a mill for the camp, cite reasons for their flight which could quite similar. Most of them used to be small peasants or rural workers who had hardly had any personal experience of the brutal policy of repression of dictator Anastasio Somoza and his Guardia Nacional. They lived dispersed over rural areas which were affected little by the liberation struggle of the Frente Sandinista de la Liberacion Nacional (FSLN), the Sandinista Liberation Front. A couple of years after the FSLN had assumed power, it was precisely these remote border regions which became centers of the Contra's armed struggle, which in the beginning was waged primarily by former members of the Guardia. From the impassable mountainous terrain, the anti-Sandinista guerrillas staged their attacks and raids deep into Nicaragua.

For many of the rural inhabitants with their simple logic, it was plausible to draw the conclusion Pascual Cornejo drew: "When the Sandinistas came to power, the war began for us." And: "Under Somoza we lived in peace, were able to go to church, and no one took our land away from us." For quite a number of the Nicaraguans in exile today, the final push to leave their homeland was provided by the resettlement, in part against their will, organized by the Sandinista Army. To deprive the Contra of recruits and food, but also to protect the dispersed peasants from raids, many were forced to leave their individual farms and ancestral land and to settle in new villages which in various ways it was easier to control.

According to official figures of the UN High Commission for Refugees, which maintains the camp in Nacaleapa and another camp at Teupasenti 30 kilometers away, at present 5,600 Nicaraguans of non-Indian stock live in camps in Honduras. A further 13,100 Nicaraguan Indians, preponderantly Mosquitos, fled to Honduras because of the Sandinistas' resettlement policy in the Atlantic regions. Today they live in a large number of fairly small camps along the Atlantic coast of Honduras, in so-called Mosquitia.

Living conditions in Jacaleapa are hopeless. On a broad flattened stretch of loam about 150 shanties were erected in several rows, and new arrivals of the past few weeks have been put up temporarily in large army tents. There is a bit of land for raising vegetables, but the raised food is wholly inadequate, and all refugees have to rely on UN food supplies. Once every 6 months they receive gifts of clothing. Despite comparative freedom of movement, there is hardly any opportunity for them to earn any money of their own nearby. The inhabitants of Jacaleapa and Danli, the closest places, keep a hostile distance from their uninvited guests. In the case of many children (about half of the camp dwellers are under 15), one can tell they have received the wrong nourishment or are undernourished.

In other words, the kind of refugee camp which corresponds entirely to the awful "normalcy" of camps one can see in all "crisis areas" of the world? At first glance, yes. But if one looks closer, this impression is "disturbed" by many robust young men who as a rule can hardly be found in such camps. It is not hard to start a conversation with them. One, who identifies himself only as Jose Maria, willingly supplies information about himself and people of his age. "Tomorrow," he says, "100 men from this camp will go to Nicaragua." What, back home? "Yes, but armed."

By and by, with the lively help of many of his friends, he tells the whole story. They are fighters of the FDN, the Fuerza Democratica Nicaraguense. Numerically, the FDN is the strongest body of anti-Sandinista guerrillas, receiving the lion's share of support from the United States and having between 9,000 and 15,000 men under arms. In Jacaleapa itself, Jose Maria states very emphatically, there is no kind of military equipment at all. After all, it is a refugee camp and not a military camp, says the guerrilla, who apparently is recuperating in Jacaleapa from the war. The camps of the FDN Contra are located nearby on Honduran territory. "We go from here to an assembly area. There a truck comes and gets us." According to the young FDN men, the military commander in this region bears the cover name "Comandante 380."

Jose Maria thinks it is a matter of course that, being refugees from a war area, they return as fighters to their homeland, thus constantly renewing and continuing the violence which they cite as the reason for their flight. "As long as the Sandinistas rule in Managua, there is no possibility other than armed struggle." Everyone of them, says another guerrilla, maybe 17, wants to get back to Nicaragua as quickly as possible, but "the godless Sandinistas understand only the talk of guns." Moreover the FDN was setting itself the task of freeing the country from "foreign rule," for "over there, there are Cubans, Russians, Bulgarians, and Libyans all over the place." Jose Maria himself (he recounts with visible pride) took a dead Cuban lieutenant's military ID during an encounter in the Province of Matagalpa in Nicaragua. "Among us," he says, "there are no foreign mercenaries; we fight only against communism." The support from Washington and the monetary donations and arms supplies from militantly anticommunist organizations from the United States (for instance,

the Nicaragua Defense Fund at Boulder, Colorado) are interpreted as recognition of "our liberation struggle." In the view of the FDN men, the trainers from the United States, mostly Army veterans concerning whom it is not always clear by any means whether they only belong to the opaque "private military sector," are not mercenaries but idealists who happen to perceive "democratic resistance" as the alternative.

Judging by direct observations and the reports of FDN fighters, the Honduran Army does not put any obstacles in the way of the Contra. Whereas the camps of refugees who have come to Honduras from El Salvador are under the strict guard of Honduran soldiers, being regarded as supporters of the leftist Salvadoran guerrillas, one cannot see a single Honduran uniform anywhere in the proximity of Jacaleapa or farther away.

As recently as a year ago, the Contra was openly supported by the Honduran military, with the FDN political and military leadership holding assemblies and press conferences in Tegucigalpa. Only after the fall of the high-handed and brutal supreme commander of the Army, Gen Gustavo Alvarez Martinez, in April 1984 did the attitude of the Honduran Armed Forces at least change a little. Until then the Honduran Foreign Ministry despite clear proof to the contrary had time and again denied the existence of FDN camps in Honduras, while Gen Alvarez called on the United States to intervene militarily in Nicaragua.

#### Distrust--Almost Perforce

Under Alvarez's successor, Air Force Gen Walter Lopez Reyes, the freedom of movement of the anti-Sandinista guerrillas has been more limited, which was also apparent when the Army recently prevented the unloading at Tegucigalpa airport of a plane which had arrived from the United States with aid for the Contra. But, contrary to an announcement by Gen Lopez Reyes in July 1985, there is no question today of disarming of the FDN, let alone expelling the guerrillas. Honduras is in a dilemma. On the one hand, Tegucigalpa wants to avoid the constant incidents with Nicaraguan troops due to the presence of the FDN in the border area. On the other hand, the FDN activities receive support from Washington, and U.S. foreign policy concerns continue to have a decisive influence on Honduran policy.

The representatives of the UN High Commission for Refugees are in a relatively helpless position. The refugees, says Louis Villalprando, the highest UN representative in Honduras, simply are part of the overall political situation in Central America. "We try to prevent the camps being misused in any form for the support of a struggle against a government," he states. For he realizes, somewhat resigned, that these efforts are not exactly being successful. Moreover, he says, what his organization can do depends a great deal on the attitude of the host country, and "the Honduran Government happens to regard the Nicaraguans as 'better' refugees than the Salvadorans." These concerns, Villalprando continues cautiously, also contribute to the United Nations occasionally being suspected of supporting the Salvadoran guerrillas, despite the fact that the refugees from El Salvador



merely are receiving the same assistance as the Nicaraguans. Whoever--like the UN people--tries even in just one sector of the Central American conflict to be impartial almost perforce encounters distrust--among all those, whether they are in Jacaleapa or in Tegucigalpa, in Managua or in Washington, who simply know only two sides: friends and enemies.

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PERU

#### IU PARTIES DEMAND END TO SUPPORT FOR GARCIA ADMINISTRATION

Lima EL DIARIO DE MARKA in Spanish 14 Nov 85 p 2

[Text] The United Left crisis, a product of the lack of definition, loss of identity, conciliation and excessive collaboration with the new Aprista [American Popular Revolutionary Alliance] government, is apparently coming to an end. The total immobility of that political front, which constitutes the second largest national force, was broken about a month ago when Senator Genaro Ledesma of the FOCEP [Student-Peasant-Worker Popular Front], then taking his turn as coordinator of the IU, summoned the National Leadership Committee (CDN), initiating a series of meetings for the purpose of analyzing the national situation and taking a separate political and ideological stance from the APRA in power.

It is common knowledge that at the many meetings of the CDN, opinions and suggestions were exchanged by all the parties belonging to the front and that a lengthy statement of political consensus was drafted. However, Alfonso Barrantes, mayor of Lima and president of the IU, nervously refused to sign it.

The impasse resulting from the unexpected attitude of Barrantes, who, without any apparent motive other than that of the criticism of its errors, seems to be being overcome by the summons issued by three major members of the IU, which express their opinions of the document approved and, in the final instance, propose a discussion by the rank and file. The following is part of the statements issued by the PUM [Mariateguista Unified Party], the UNIR [National Union of the Revolutionary Left] and the FOCEP.

#### UNIR Charter

Acting upon the instructions of the National Executive Committee of the UNIR, it is my responsibility to write to you expressing our serious concern over the impasse created within the highest leadership organ of the United Left, the lack of whose solution not only prevents the publication of documents unanimously sanctioned at the last meetings of the National Leadership Committee, but also, and this is even more serious, deepens the crisis afflicting the political front, aggravates the bewilderment and discouragement of members and sympathizers and enables the APRA and the traditional right to intensify their action aimed at splitting and dividing the United Left.

We must recognize that this situation is absolutely untenable. The workers and the poor require the greatest responsibility and consistency of the United Left and the parties that constitute it.

We call upon your revolutionary conscience and commitment to the people and history to resolve this problem adequately in the remaining days of this week.

We continue to wait with faith and trust. However, if things continue as they are now, the UNIR, based upon the mandate of its Second National Congress and certain that the United Left rank and file so wish, will do whatever is fitting so that the latter, who in the final analysis, may rightfully make whatever decisions are necessary, may thus preserve the revolutionary and programmatic unity of the United Left and the concrete possibility of being an alternative of government.

#### Statement by the PUM

The Mariateguista Unified Party (PUM) has issued a bulletin demanding the reaffirmation of the programmatic resolutions made in the drafting of the pronouncement recently written in order to define the political identity of the Front and begin the inevitable split with the program of the Aprista government.

The PUM recognizes the need to overcome "incoherencies with the approved political line," to make "abundantly clear the limitations of the Aprista reform," as well as the ratification of the IU posture on the so-called "dirty war," militarization of the emergency zone and the treatment of political prisoners. On this last point, although they do not mention it, they obviously refer to the contradiction created by Barrantes by labeling as "mere excesses" (six) the havoc wreaked by the civil war being waged in the central mountains.

The CDN thus proposes the formation of the Fifth Expanded National Leadership Committee, essentially to review the tasks completed and engage in tactical discussion confronting the APRA. It also proposes the prompt formation of "effective collective leadership within the current CDN." It then goes on to deal with other aspects of the future policies of the Front, such as the process of issuing cards to IU members and the calling of a National Congress, the first of its type, for July of next year.

The bulletin concludes with a reaffirmation by the PUM of four basic alternative points vis-a-vis the APRA. They are: 1) nonpayment of the foreign debt, nonremission of foreign exchange abroad and an exclusive monopoly of PETROPERU [State Petroleum Agency] over the national oil holdings; 2) the formation of "emergency civic governments" in the emergency zone, amnesty for political prisoners and the resignation of the minister of defense; 3) the formation of "regional governments," with the prerogative of administrative autonomy that Puno demands in order to become a region; and 4) an increase in wages and salaries.

## Pronouncement of the FOCEP

Following the 14 April elections, the IU fell into a period of immobility and political abstentionism in the face of the inoperativeness of the National Leadership Committee, mainly the responsibility of all its members. Confronted with the crisis, certain IU leaders have confined themselves to supporting the positive aspect of those measures and criticizing negative aspects.

When our party took its turn as coordinator in October, there was an obvious need to make a self-critical evaluation of that immobility, while spelling out the IU's position on the Aprista government. It was therefore resolved to issue documents: one on the internal situation of the IU and another on the IU's position on the current political situation.

It should be emphasized that in the document on the political situation, our position on the Aprista government is that of describing it as a reformist government that in no way changes the structures of the capitalist system, a government to which the IU should develop revolutionary, programmatic and mass opposition. With respect to points of partial agreement that might eventually be reached with the APRA, the IU, assuming the position of taking the floor, will fight to see that such points be implemented beyond mere bourgeois reformism.

Also of importance is the agreement to guarantee the collective political and organic leadership of the IU, emphasizing the operation of the Permanent Secretariat made up of the current coordinator, the retiring and future coordinators, and the president, invited as a permanent guest of the acting coordinator of the National Organizing Committee of the IU.

The series of agreements drafted in the central documents made it possible to summon the CDN to the 5 November meeting for their signing, but that signing did not take place.

The FOCEP stresses the need to have the entire National Leadership Committee sign the documents in question without any modification that would change the essential contents. If difficulties continue to stand in the way of their signing, then the documents should be referred to the rank and file for discussion and approval by a National Assembly.

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PERU

RED FATHERLAND HEAD GIVES OPINIONS ON BARRANTES' LEADERSHIP

Lima EQUIS X in Spanish 18 Nov 85 pp 32-36

[Interview with Alberto Moreno, secretary general of the Red Fatherland Communist Party of Peru, by Elias Moreno; date, time and place not given]

[Text] At the end of October, Alberto Moreno, secretary general of the Red Fatherland Communist Party of Peru, came out of hiding. Without a doubt this party is the most significant of the national left in terms of its parliamentary delegation and its popularity with the masses.

His public appearance took place on the occasion of the congress of the UNIR, the front which Red Fatherland heads. At the inaugural ceremonies, the president of United Left (IU), Alfonso Barrantes Lingan, stated that Moreno could eventually succeed him in that post.

Born in a central mountain town 44 years ago, a former miner and school teacher, Alberto Moreno is a charismatic leader. His pensive style undoubtedly stems from the fact that he is self-taught.

In the following interview, the main leader of Red Fatherland expresses his views on the national situation.

[Question] How do you explain, Comrade Moreno, your existence as an underground leader in a party that has representatives in Parliament and carries out eminently public activities?

[Answer] Everything is determined by the political needs of my party, including my devotion to the building of the party, to theoretical problems, to planning matters, and other things . . .

[Question] Does this mean that your party is also carrying out clandestine activities?

[Answer] We are engaged in a variety of tasks. A significant number of our leaders perform public, overt work, as is well known, while others devote their time to internal work, depending on the demands and needs of the time.

[Question] Is the internal work subversive?

[Answer] These are components of a style of work . . .

[Question] Is it for security reasons that you stayed underground for so long?

[Answer] There is obviously some of that, but that is not the basic reason.

[Question] And why was the decision made for you to come out into the open finally?

[Answer] There are political needs, and the party believes that this is the right time for it to express its opinion more widely, given the diversity of national problems. Another goal is to contribute to the impetus, the task of building the UNIR and of strengthening United Left.

[Question] Most people do not know for sure what it means to live underground. What has your life been like until now? Have you spent all your time fleeing and hiding?

[Answer] My work, under the conditions that have prevailed for me, required certain rules of conduct. There had to be secrecy, of course, but it has not been very difficult.

[Question] But you have met periodically with the leaders of United Left, haven't you?

[Answer] Of course, I participated very actively during the selection of candidates for the last general elections. I also participated in most of the meetings of the Executive Committee; I am a member of that committee . . .

United Left and Alfonso Barrantes

[Question] And what is your opinion, then, of the action that United Left is carrying out at this time? It is criticized for being somewhat immobilized, and some even say that Alfonso Barrantes lined up behind Alan Garcia . . .

[Answer] United Left is obviously having difficulties. It is not responding to the needs and requirements of the struggle. There is immobility, passivity, a lack of clear delineations between it and the ruling party. At this time we are undergoing an intensive debate to redefine the situation and reorient the work, to make United Left fulfill the role for which it was formed.

[Question] Do you believe that these changes necessarily mean that Dr Barrantes will be replaced as president of United Left?

[Answer] No. The problem is not primarily one of individual people; it is choosing the right path. We hope that after the discussions, the critical analysis of our experiences, and the corresponding self-criticism, the situation will return to normal.

[Question] What do you think of Barrantes' personal accomplishments?

[Answer] There are undoubtedly positive aspects to his efforts. He has achieved some major successes, but I also understand that an overall assessment must be made of what has been done so far.

[Question] Dr Barrantes stated a few days ago that you could succeed him as president of United Left. Is there any likelihood of that?

[Answer] I do not have any particular personal aspiration to hold that office or any other office or candidacy. In any case, that is very kind of Dr Barrantes, but the decisions in that regard are made at the political level, not the personal one. The main thing is to strengthen the front so that it can meet the current needs of the people, beyond what those who occasionally hold executive offices can do.

[Question] Do you believe, in any case, that United Left can remain together as a bloc?

[Answer] It is a necessity, an imperative, if we see things from the perspective of the interests of the popular movement, as well as the highly complex and difficult situation the country is now facing . . .

[Question] A difficult situation primarily because of the problem of violence, right? What is your position on the phenomenon of subversion?

[Answer] Several things enter into play here: We have always expressed our disagreement with the action of Sendero Luminoso [Shining Path], with its concepts, its style, its methods. With regard to violence in general, that concerns us. Violence is becoming widespread throughout the country, to the extent that it is one of the most serious problems that must be resolved. It will have a major impact on the dynamics of political action throughout this period.

[Question] One of the traditional slogans of your party has been "Power comes from the barrel of a gun." Don't you feel that Shining Path is putting into practice what you have always preached?

[Answer] There is violence and there is violence. When violence arises as a historical necessity, when it is regarded by the masses as the only possible way to deal with their problems, then it is justified. But when it is imposed arbitrarily and in a voluntarist manner, the situation is different. Moreover, there is also reactionary, conservative violence. That kind of violence has different manifestations, different behaviors with which we definitely do not agree.

[Question] In recent days there have been reports of the desertion of a given number of alleged Senderists. If this is true, do you think this paves the way for the pacification of the country?

[Answer] I don't believe so. The pacification of the country demands above all that substantive change take place. We have been raising the banner of

peace, but with social justice. Without social justice, there is no sense in talking of peace.

[Question] What actions will you take now, as a public leader?

[Answer] My first action was to participate in the UNIR Congress. From now on we are going to go into the interior of the country to examine the situation of the party, to promote the organization of the UNIR, and also to facilitate an analysis of the situation in the different aspects of political life in this country.

Alan Garcia Perez Administration

[Question] What do you think of the American Revolutionary Popular Alliance (APRA) government? Do you believe that through it the country's problems can be solved?

[Answer] The country's problems require far-reaching solutions. In my opinion, the APRA party is only touching the surface. It is a government of certain partial reforms. It is a government that is charting a course on the external front that we could call the course of renegotiating the terms of semicolonial domination. It does not go any further. Historically, the experience with Velasco showed that reformism has its limits, and the Alan Garcia administration will not be able to exceed the limits set forth by the Velasco regime. Consequently, we can establish that the results will not be substantive, nor will the changes be significant enough to resolve the nation's problems.

[Question] Nevertheless, the popularity polls indicate that the majority of the Peruvian people accept what Alan Garcia is doing . . .

[Answer] First of all, the problem does not lie in judging certain moods that crop up among the population at certain times, but rather in real, objective conditions. Secondly, the crisis, in our opinion, is primarily a structural crisis, and that structural element of the crisis is not being attacked. In any case, there is a program designed to restrict the effects of the inflationary and recessive process that today characterizes part of the crisis, but that is all.

[Question] What words do you have for the Peruvian people during these times of crisis?

[Answer] First, the will of the broadest sectors of the population must unite. Second, they must understand that the country's problems can no longer be solved completely under the system in which we are immersed. Third, substantive changes must take place, but they will only be possible with the unification, the participation, and the organization of the vast popular sectors.

[Question] Is it possible that your party will once again take up the idea of the armed struggle that it used to advocate?



[Answer] From the theoretical standpoint, from the general standpoint, we think that violence is historically justified. We have not abandoned the idea that violence has its role in history. But the situation today is another matter. We must strengthen the democratic gains we have made, make the democratic process more deeply-rooted in opposition to the growing trend toward authoritarianism that we are seeing, assume the defense of the people's vital interests, and so on. This is the task we face today. Whatever comes tomorrow will have to be dealt with as the circumstances develop.

#### Moreno's Silences

Alberto Moreno, leader of the Red Fatherland Communist Party of Peru, has come out of hiding to become active in national public life. He has been presented as a veritable revelation by his supporters. He has shown a certain lucidity and a relative openness, manifested in his support for Alfonso Barrantes Lingan, among other things. This attitude contrasts sharply with the sectarian closed-mindedness of other leaders of his party. In this regard, his emergence from the underground may be healthy. Nonetheless, his vagueness and his silences are highly conspicuous. His proposals are cryptic and general, and do not reveal any basic innovations. They do not imply any real change in Red Fatherland. In the People's Republic of China, however, fundamental changes are indeed taking place in the ideological sphere. In Peking, Maoism is practically nothing but a museum piece these days. Even Marx is regarded without the usual dogmatic reverence. It is very strange that Alberto Moreno has not said anything so far about these fundamental issues. We would very much like to know that the leader of the Red Fatherland Communist Party of Peru thinks of the demands made by China's current leaders to include the market economy within socialism. Does Moreno support or oppose market socialism? We would also like to know his opinion of the dissolution of the statist Maoist communes and their replacement with family farm holdings. Let us hope that Alberto Moreno will not follow in the footsteps of other leftist leaders, who avoid the issues that make them uncomfortable. We place the pages of EQUIS X at their disposal so that they can respond to these questions.

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CSO: 3348/240

PERU

#### ADMINISTRATION STUDIES EXTENSION OF USSR CONTRACT

Lima EL COMERCIO in Spanish 17 Nov 85 p A-5

[Text] What Peru is studying at this time is not the renewal of the contract with the Soviet fishing enterprise Sovrybflot, but the extension of the term of the contract that expired in August, until 200,000 tons of fish have been caught.

This was reported yesterday by Nelson Cardenas Ojeda, vice-minister of fishing, after reopening the fishmeal plant in Puerto Carquin, Huacho.

The ceremony was attended by the general manager of the State Fishmeal and Fish Oil Production Agency (PESCAPERU), Juan Rebaza Carpio, American Revolutionary Popular Alliance (APRA) Deputies Juan Valdivia and Paul Caro, and United Left (IU) Deputy Efrain Vasquez.

According to Cardenas, the expired contract stipulated that the Soviet trawlers could catch a maximum quota of 200,000 tons of fish, and when the contract expired in August, they had caught only about 140,000 tons.

"Thus," he said, "what the Public Enterprise for Fishing Services (EPSEP) is doing is extending the term to cover the quota that had initially been stipulated."

The terms of the extension, he explained, would be the same as those of the expired contract: 15 percent of the Soviet trawlers' production would go to the Peruvian Government at no cost.

The Carquin plant makes nine PESCAPERU plants that have reopened in the last few months. The same has been done already in Chicama, Chimbote, Supe, Callao, Tambo de Mora, Pisco and Ilo (with two plants). The plant at Mollendo will reopen soon.

In statements to EL COMERCIO, the vice-minister of fishing said that the reopening of these ten fishmeal and fish oil plants, which have the capacity to process 100 tons of fish per hour, means that PESCAPERU faces a certain supply problem with the fishing fleet.

At present, he indicated, these plants are supplied by the small anchovy fishing companies (PEEA), but in view of the prevailing problem, and in accordance with a decision by the enterprise, PESCAPERU may seek sources of financing to establish its own fleet, said Cardenas.

Another goal of the present government, said the vice-minister, is to revitalize EPSEP so that the direct consumption of fish can help effectively solve Peru's food problem.

In this way, he stated, five EPSEP fishing boats are now being repaired, and negotiations are underway with the Bank of the Nation to permit the use of a trawler that is in its possession.

With these six boats, 50,000 tons a year can be obtained for direct consumption, he went on.

Nevertheless, he warned, there is still the problem of the high cost of petroleum for these boats. Preferential treatment by the State Petroleum Agency (PETROPERU) is being investigated, but it appears that that would cover only fish for human consumption, not industrial use.

Regarding the depredation of larvae in Tumbes, Cardenas noted that upon returning from Mexico this week, the minister himself will visit the area to solve the problem.

8926

CSO: 3348/241

PERU

# MINISTER OF JUSTICE DENIES STATE OF CIVIL WAR

Lima EL DIARIO DE MARKA in Spanish 13 Nov 85 p 5

[Interview with Minister of Justice Luis Gonzales Posada, by Carlos Angulo;  
date and place not given]

[Text] [Question] What could you tell us about the statements issued by the  
Peace Commission?

[Answer] I would say that we are not in a state of civil war. There is indeed  
a situation of violence localized in specific regions of the country, but this  
does not mean that we are in a civil war. If we were, we should have to  
apply the constitutional article declaring a state of siege, which is one de-  
gree worse than the state of emergency based on our constitution.

Second, I believe that the action of the Sendero groups or of the terrorist  
groups is truly minimal and totally insignificant in terms of the country as  
a whole, which rejects such actions.

In other words, I do not believe that we are in a state of civil war, but  
rather, facing a situation of violence that has gone on for several years,  
the work of subversive elements, and we hope that they will respond to the  
continuing call for peace made, not only by the government, but all political  
sectors, including the United Left (IU), and that can lead to the democratic  
system.

[Question] But does the naming of the Peace Commission not imply that there  
is in fact a civil war, a confrontation?

[Answer] No, not at all. The Peace Commission emerged specifically in order  
to have a bridge, as stated in the respective Supreme Resolution, leading to  
the pacification of the country. It did not come about because of any state of  
war in the country. We have not recognized this officially or semi-officially  
because it simply does not exist.

[Question] So the Peace Commission is ahead of itself?

[Answer] That is an opinion, I would say, of some members of the Peace Comi-  
ssion, which I respect, but do not share.

[Question] But it was that of the entire Peace Commission.

[Answer] No, not the whole Peace Commission. Those were statements formulated, I understand, by the Peace Commission coordinator. They naturally have the power to make the evaluation they deem proper, but we also have the power to agree or disagree with those evaluations.

At any rate, I believe that it is a judgment of value, one belonging to the Peace Commission, which, I repeat, I respect but do not share.

[Question] The Peace Commission was not unanimous?

[Answer] Well, you would have to ask the Peace Commission that question.

[Question] But the conference was in the name of the Peace Commission.

[Answer] Of course. Naturally, you would have to ask the Peace Commission about those statements, but we are looking at a clear and objective fact: The political constitution establishes in a precise article what is called the state of siege, which is in case of invasion, war, civil war or the imminent danger that it might occur, specifying the constitutional guarantees still in effect. The corresponding period is not over 45 days. In order to order a state of siege, Congress has to meet in regular session and the measure requires its approval.

I think, with all due respect, that the Peace Commission, the ruling it handed down is of value, is the personal judgment of the chairman of the commission, which does not necessarily imply agreement, as far as I am concerned.

Furthermore, I believe that the search for peace is not the exclusive task of the government or the Peace Commission. It is a task in which all Peruvians must be involved. I think that the statistical figures that have been given are simply frightful for a country such as ours, which wants to overcome its long history of poverty and frustration.

For example, we have the fact that nearly 350 members of the armed forces and the police have died as a result of terrorism. Material losses stemming from the destruction of electrical towers and related equipment amount to over 500 billion sols. Human lives lost, based on newspaper figures given semi-officially, total over 5,000.

[Question] If there is no state of war, then the other additional statements by the Peace Commission would have no meaning.

[Answer] Not necessarily, because the peace can be violated from the time there is a single death, when one electrical tower is destroyed, when there is one missing person. The state of war has a much more profound legal configuration and greater implications.

[Question] One does not necessarily have to apply the state of siege when one recognizes that there is a state of war.

[Answer] I go by what the constitution stipulates.

[Question] But have the armed groups declared war or not?

[Answer] The armed groups may have declared an action of terrorism, which is what they did declare, because I could also ask you: What is the program of action? What is the political, social, economic alternative proposed for the country by the Sendero Luminoso, for example? In other words, the term is not precise or adequate.

[Question] In addition, some newspapers have mentioned that the Peace Commission would be removed and changed upon the return of the president.

[Answer] I did not read that.

[Question] D'ornellas says so in CARETAS.

[Answer] Whatever the case, that is the individual view of one newsman working for EXPRESO. I could not say one way or another. What is certain is that the Peace Commission exists. The Peace Commission that was named has not been dissolved.

The Peace Commission exists. Anyway, that is pure journalistic speculation, in which our colleagues are free to engage within their right of freedom of expression.

[Question] But given that declaration, based on what you say, more or less, is the government not in agreement that....

[Answer] We obviously cannot be in agreement with everything the Peace Commission says or does or accomplishes because it would then not be a Peace Commission, but a court of justice with the power to administer and hand down justice.

No, definitely not. The Peace Commission gives opinions, hands down judgments, points out certain guidelines, some of which are followed while others are not. Let us not forget that it is an advisory commission, nothing more. In other words, I have an advisory team here. The advisory team may give its opinion, another adviser another opinion, and it is my power as minister to know which opinion to take, in keeping with the government's policy and orientation. It does not mean censorship, on my part, of an adviser of mine when he gives me an opinion that in the end I do not accept, because if that were the case, those in power would be the advisers. We would be in an upside-down world.

I believe that the resolution creating the commission is very clear. It states that an advisory commission must make a great effort to seek peace in the country.

[Question] Do you mean that the commission was wrong to make statements to the press?

[Answer] I do not say what is right or wrong. I say that it is the opinion of the Peace Commission which I respect, but do not share, just as what I might say is neither right nor wrong.

[Question] But as an advisory commission, can it speak to the press or not?

[Answer] They gave a press conference, a press conference at which they expressed a series of views, judgments and opinions, some of which obviously may or may not be taken by the government.

[Question] The Peace Commission is then a presidential-level commission?

[Answer] Yes.

[Question] Aside from this declaration of civil war, the commission proposes a working equation, speaking of a selective amnesty. What is your opinion on this?

[Answer] From the very first day, I have said, and I repeat, that it would be an enormous help if the Ministry of Justice were to be given that list of persons or an enumeration of names of persons believed to be involved in this deed, meaning the fact that they were unjustly accused or implicated in acts of terrorism or of having committed them. For us, with our team of lawyers and in coordination with the Ministry of Justice and the Judicial Branch, we could then greatly speed up the trials and obtain the freedom of those persons who did not commit such acts. Furthermore, you know that I went to the full session of the Supreme Court and to the Board of High Attorneys and presented this situation of excessive delays in the proceedings and I asked for greater speed. As a result of this, the full session of the Supreme Court provided for the appointment of special courts and special judges to consider cases of terrorism and speed up trials involving terrorists.

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PERU

# PUNO DEPARTMENT SEEN AS TEST FOR APRA DEVELOPMENT POLICY

Lima QUEHACER in Spanish Aug-Sep 85 pp 51-64

[Article by Jose Maria Salcedo: "Is Puno Waiting for Sendero?"]

[Text] Is another Ayacucho imminent?

Although it has not achieved the notoriety it has in the zones where a state of emergency has been declared, the Sendero Luminoso (Shining Path) has made its presence felt through a number of attacks in one of most neglected departments of the country.

Puno, which is one of the zones which has suffered most from the combined rigors of nature and blind centralism in Lima, is becoming the stage for a Senderist attempt to establish "support bases" which will make future actions possible.

But this is certainly not the sole ingredient in a potentially explosive situation. Social structures, abuses by the authorities, interrelationships among groups in power, inefficiency, shortsightedness, lack of police force training--all are contributing in a kind of laboratory for what we might call the "Ayacuchanization" of certain zones in this department. Naturally, the social forces which can slow this subversive escalation are also to be found there. These are social forces, however, which tend to be excluded or identified with subversion itself, given the present state of affairs.

There is every indication that with the new government, Puno will be the scene of a kind of "test." President Alan Garcia has shown special interest in the development of Puno. The Sendero Luminoso has been establishing itself in certain zones in this department.

Can a development process clip the wings of subversion? QUEHACER, using the widest range of transport facilities, traveled throughout a good part of the province of Azangaro, perhaps the zone in the department most vulnerable to such "Ayachuchanization." And it encountered a number of surprises there, as described below.



Perhaps it is worthwhile beginning with the scene as we left the city of Juliaca, 5 hours before reaching our first destination in the province of Azangaro.

We were at the police checkpoint in Maravillas at 6 pm. The truck in which I was traveling had to wait in line. There was the customary inspection of goods and passengers by the police. This time, however, there was also an army truck pulled up at the side of the road.

The police checked documents and invoices and took their "quota" of garments. If there were none such, only a more or less sizeable bank note would get one through the checkpoint.

The army truck was there to pick up the young men whom an officer was selecting more or less by eye, after rapidly calculating their likely ages. When it came to us, the assistant to the driver of my truck only escaped being suddenly recruited by showing his deformed fingers, which doubtless disqualified him from military service.

"Tip" and "levy" are terms often used by these truck drivers with regard to the state activities in this distant pocket of national neglect. They are common and usual terms, since none of those involved expects anything else, and none would dare protest. There can be no doubt that the tips and the constant turnover in the individuals assessed are now a part of their operational costs.

Having finished with this customs procedure and having survived several hours of cold during the truck journey, we arrived in Asillo, the capital of the district of the same name.

#### Asillo

Four thousand meters above sea level, Asillo is not as forgotten a town as some others with which we were to become acquainted. There is a generator which provides electric light until 10:30 at night; there is a Civil Guard (CG) station; there is a bus to Azangaro, the capital of the province. This Peruvian district has 20,000 inhabitants, of whom 4,000 live in this town, and the balance in the surrounding 30 peasant communities.

It has been 2 years now that this zone has been the scene of Sendero Luminoso activities, although in many cases it is impossible to establish whether petty thieves and cattle rustlers are using the name of Sendero, or whether it is working with these "nonsubversive" criminals, to use the terminology of the officials of the last government.

Whatever the case, no one doubts that the Sendero people are "patrolling the zone." A day before our arrival, an army patrol had also passed through a nearby peasant community. There were arrests. One of the individuals detained was a peasant who had been crippled for more than a year. His five children told us about this, weeping, when we visited their town.

But let us not get ahead of our story.

Before this journalist visited, some members of the peace and human rights commission headed by Nobel Prize winner Perez Esquivel passed through here. They were then told of a long series of arbitrary arrests, police abuses, wholesale gratuities extorted and the buying and selling of justice by Don Manual Quadros, the justice of the peace in this locality.

Perhaps the most serious clash between the people and the authorities, without interference of any kind by the Sendero, occurred in the picturesque community of Balsapata. Two guards arrived there in an obvious state of intoxication. They burst in upon a party holding a wake and demanded the usual "quota." The family of the deceased had also been drinking and a brawl developed. One of the guards was killed and the other, injured, had to flee in pain. In the end, the dead guard was described as "killed in the line of duty." The official in charge of the explanation then explained that this was a merciful way of ensuring that his widow would not lose her legal pension rights.

#### A Worried Lieutenant

Naturally, this incident caused a commotion at the GC headquarters in Asillo. But the chief of the station, the lieutenant with whom we later talked, knew about it only by hearsay. He was only assigned here a short time ago.

We had a long conversation with this officer. I believe that it is of interest to recount it, since he is the most obvious representative of the state in this locality and is one of the protagonists in this "hot zone" of the province. Who is this man?

First of all, he is a young man of 29. Should he perhaps have a higher rank? Who knows? Certain zones in the country still continue to be "punishment assignments" for many members of the police forces. He does not come from this region. He is a native of Arequipa who has served at better stations, both there, in his beloved native region, and in districts in Lima characterized by conflict--La Victoria, El Porvenir, El Agustino. He met his wife here. She and their little daughter were with him in Asillo, sleeping in a room in that same freezing, tumbledown police station. "I told her not to come, that it might be dangerous here. But she insisted and here she is."

Naturally, she will only remain a few days. Then she will return to Juliaca and will wait for her husband to be granted some leave or, perhaps, a change of assignment.

The arrests made by the army were of course the subject of our talk. The lieutenant did no more than direct them to the zone they were seeking. "This is the bad thing," he said. "The army goes and arrests people, takes them away and withdraws. But it is we who remain here, we who have to deal with the people, and the people take it out on us."

Honestly, the lieutenant fears a Senderist attack and he knows that should it happen, the people in his charge could do nothing. In his view, the Sendero is better equipped than his own police station. This man is absolutely persuaded that the subversives are receiving support from "a foreign power."

As proof, he cites the incidents involving car bombs in the Plaza de Armas in Lima during President Alfonsín's visit there.

Antisubversive training? We heard what he had to say. "None of us has received special training. In the GC, those who want to add to their education take the Sinchi course. But this does not mean that all those who have taken this course are sent to difficult zones. It depends on the area. There are Sinchis who only do office work and we have others who carry out the tasks which would normally be theirs. As you know, my friend, you find the same thing everywhere." Normally this police officer does not leave his station in Asillo to go into the neighboring communities. The lieutenant has an explanation--he does not speak Quechua.

#### The Little Fathers

Nor do they speak Quechua, but they are well-known in the communities. We are speaking of the two priests in the Asillo parish. The one who has been in the zone longest, Luis Jesus Lopez, is a Spaniard from Burgos. The other, from Navarre, is the veteran Alberto Ariz. They live in a little two-story house a few steps from the police station, in the shadow of the imposing local church. Frequent visits are paid to them by teachers, representatives of various communities, and the leaders of the local peasant federation.

Masses, prayers and baptisms? That is not all. Both are teachers at the community secondary school, they give advice to the peasants, and their participation is a key aspect of the support of a network of "communal shops" which put inexpensive products in the hands of the local people.

At the time of our visit, Ariz was protesting loudly. Spanish institutions had sent the parish an urgently needed lot of medicines, and more than a thousand dollars had been paid for the air freight. Well then, the customs office in Lima had been holding up the charitable shipment for more than a month. A hundred thousand soles would have to be paid for each day's delay. And meanwhile, the local medical office languished, incapable of action.

Naturally, these individuals, who might be described by someone from Lima as "progressive priests," have also become a kind of wailing wall for many settlers. Abuses by the authorities of all kinds are reported to the parish, and effective action, or at least some moral support, is expected of it.

For these priests, the greatest achievement is having won the confidence of the peasantry, having contributed to the creation of a "dynamic rather than alienating religious faith," in the words of Ariz, who is a priest trained following a "late calling," after a number of years of studies at the university in the field of chemistry.

They are, without a doubt, one of the poles, one of the protagonists in the life of this Azangaro district.

And they have also been the target of charges of terrorism. This is an interesting case because it provides a picture of the actions of certain local authorities.

The widow of a shepherd was unjustly forced off the land where she lived. The fathers protested on her behalf, even using the pulpit of the local church, among other means. Dona Irma Teran de Valdivia, the owner of the ranch, appealed to the authorities in Puno, of which her former husband was one. The eviction was ordered by Don Manuel Quadros, the justice of the peace in Asillo, who scored points for himself by accusing the priests of being terrorists, using dynamite, etc.

The Asillo priests say that when a local policeman knocked respectfully on the door of the parish house, they did not know whether to laugh or cry. They had to go all the way to Lima to appear before the DIRCOTE, and to prove, finally, that things were not as they had been reported.

In the words of Father Luis Jesus: "When we stood firm in our support in situations when the peasantry and local power groups or businesses clashed, this was followed by slander, accusations, court proceedings, the stoning of the parish house and an effort by a small group of notables to banish us from the town. But the support of the majority of the poor peasantry and other sectors of the people was never lacking. They demonstrated and appealed publicly, even in the presence of the bishop, for us to remain in the parish, expressing their desire that we continue to be with them in their joys and sorrows, their problems and their celebrations."

#### Local Power Groups

If a middle-class citizen from Lima were to observe these local "power groups," he would probably smile at a comparison with the big bankers in the city. But here the context is different. Certainly, agrarian reform deprived many of these provincial groups of their economic base. But they have seized the opportunity to "recover" in recent years.

It is interesting to note that in the zone we visited, many of the SAIS [Social Interest Agricultural Associations] are imitating the practices of the old landowners, and are also becoming members of these power groups. Throughout our tour we heard complaints from extremely poor peasant communities about the SAIS and their vast uncultivated lands.

In other cases, the local merchants weave this fabric of local power. In this connection, the "communal shops" which the local church sponsors and which are managed by the peasant organization in the province are becoming competitive to an almost unsurpassable degree.

In Asillo alone, 19 of these communal shops are operating. They were established during a consciousness-raising campaign in the peasant communities, and their products are sold with a profit margin of 10 percent above the purchase price. The local merchants have cause for concern. The communal shops have become a kind of price regulator for basic products. The

shops in Asillo sell goods worth between 20 and 25 million soles every month--more than any local merchant.

If all goes well, the peasant federation will also undertake the marketing of alpaca fiber. The speculators and middlemen in the large firms in Puno and Arequipa can feel the wind turning against them.

And there is also Sendero. There is every indication that the nighttime attack on one of these communal shops 30 days ago was the work of a hooded commando unit desirous that these enterprises "mitigating" peasant poverty should not prosper further.

In this complex of local powers, "justice" must be included. Locally, "justice" is represented by Manuel Quadros, the judge who accused the Asillo priests of being "terrorists." Half of his home-office, in a corner of the Plaza de Armas, is a primitive sawmill, while the other half is filled with a swarm of frightened peasants. Manuel Quadros emerged from the shadows in which one could glimpse the gleaming white of a portable typewriter and some seals. "No photographs. I accused the little fathers? I don't think so. I took money for releasing prisoners? I don't think so. I do not believe that could be. How that could be I do not see." And the judge, who became a populist on 28 July 1980, now thinks that he will have to support the new government patriotically as of 28 July 1985. I could not prevent the image of the Puza brothers--the very men who laid the groundwork for the death of Jesus Oropez by accusing him of terrorist activities--from springing to my mind, the only difference being the location. Minutes later, Mrs Maria Barriaes de Enriquez, who manages the people's dining room, confirmed to me that she had been the victim of one of the customary extortion practices by this fearsome judge.

#### The Peasants

This cast of actors would not be complete if we failed to mention the social organization in this locality. It is called the Asillo District Peasants Federation. Martin Jimenez, its secretary general, 28, told us that the problems pertaining to the land, prices and farm credit make up the basic platform of his organization. Twenty-two of the peasant communities are affiliated with the federation, and he admits that his people have a rebel tradition, as participants in the exploit of Tupac Amaru.

Like others of his colleagues elsewhere in the country, he seems to be trapped between two fires--police abuse and the Sendero. "Our federation," he said, "has become the great obstacle to the Sendero Luminoso. It uses anti-peasant methods and our hegemony in the community causes it concern."

And the solution? "The federation has agreed to establish peasant patrols at all our bases. There are nighttime patrols and we will identify the Senderists and cattle rustlers. We cannot rely on the protection of the police."

Thus far we have spoken of this scene and these individuals. But the picture would not be complete without a message from the environs, from the peasant communities which surround this town in Peru.

In the communities of Naupapampa and Calapampa, for example, there is a whole technology clash. Ministry of Agriculture technicians learned to build earthen terraces in Colombia, and brought the technique here. The result is that while the peasants are engaged in rehabilitating very ancient Inca terraces, the "Colombian" terraces, which would perhaps be good in another ecological context, remain useless here. While the "engineers" lay out canals, they do bring water, but also the liver fluke which wipes out the limited cattle herd, and the literacy teachers must be content with wages of 100,000 soles per month. How much land do those holding property in common here have? On an average, a quarter of a hectare. And it takes a hectare at a minimum for one animal to develop more or less normally.

Be that as it may, all are patriots. Modest peasant huts are being painted now in honor of another national anniversary. The paint is white, red and brown clay, and the brushes are clumps of ichu grass, but only that not good enough to feed the cattle.

In Capacondori, there is a grieving group of the children of Saturnino Puma, the crippled settler arrested on suspicion of terrorism. "Sendero harms the rural people," according to a mob of peasants. "The pagans are innocent people." Saturnino Puma was taken from his house, crutches and all. His children mourn in Quechua, and no one believes that he was involved in any Senderist activities. But the lieutenant at police headquarters believes, as he was to tell us shortly thereafter, that he might well have been "an ideologue of subversion."

#### Azangaro

No one can take this belief on the part of the lieutenant seriously, but for some days now a poster with a portrait in color of President Gonzalo has been affixed to the monument of Pedro Vilca Apaza, the local hero, in the main square in Azangaro. The poster commemorates 5 years of "people's war." It has been there for some days and no one has dared to take it down. Not even the police who, sometimes accompanied by army units, patrol the town throughout the day.

We arrived in Azangaro, the capital of the province. The same civil guards who a few minutes ago had marched through the main square without even glancing at the Gonzalo poster were now taking their breakfast in a small local restaurant. On the walls surrounding the table at which they were devouring fried eggs there were decorations which must have been familiar to them. They were the banners of the graduating classes at the local secondary schools and teachers' college. The multicolored banners carried the names of the graduating classes and the portrait of a distinguished person, for example, Marx, Engels or Lenin. There were slogans such as "Homage to the Martyrs of Socialism and National Liberation."

Certainly for these policemen, there was a sort of familiar link between the poster in the Plaza de Armas and these banners. In fact, in their view, the local "environment" is openly subversive.

However, the owner of the establishment also has other posters on these same walls. One of them bears the smiling face of Alan Garcia, who said during the electoral campaign: "My commitment is to all Peruvians, and to govern is to provide food to eat." For this restaurant owner, there is no contradiction between the two kinds of decorations.

#### A New Face for Sendero

In reality, the social atmosphere in the zone, particularly among the students and youth, is, from the point of view of one from Lima, clearly "radicalized."

If one asks about the Sendero Luminoso, one notes first a certain indifference and, when one goes a little deeper, an obvious neutrality. What is known about the Sendero here lacks the cruel aspects of Ayacucho, for example. For many young people graduating from high school, without any future in sight, the Sendero offers more than a little hint of adventure. It is not that the people are prepared to take up arms, but they are not ready to endorse repression either.

Obviously there are some who are prepared to take up the cause of Sendero, although not full-time.

And this is affected not only by the situation of poverty in the zone, but by something we might call the "new style" of the Sendero in the region.

Various talks we had in Azangaro--naturally, we will not identify our sources --make it possible for us to describe the following picture.

Currently, the Sendero is devoted to establishing its famous "support basis" in the peasant communities in the zone. This is not incompatible with carrying out attacks such as those described under the subheading "Senderist Attacks" below. "Executions" are carried out for security reasons, and they involve "informers."

The effort to establish the "support bases" is carried out by cadres who come from Ayacucho and Cuzco. They establish themselves in the communities and undertake a patient campaign of proselytization. Matters are facilitated because this is a zone where Quechua is spoken. The Aymara zone is impenetrable. There is there another language and another socioeconomic reality. Apostles of this are making an attempt to win over the "natural leaders" in the communities. And this effort is a part of the "self-criticism" in which the local Senderists are engaging. We do not know if this "self-criticism" is generalized or pertains solely to one Sendero Luminoso sector.

Our interlocutors told us that they were trying to rise above the "errors" committed in Ayachuco, including the isolation of the masses, the useless destruction of public works and labor tools, mistaken "executions" with their



respective consequences of reprisals against the "innocent" people. Finally, they want a more realistic or moderate Sendero than has been known to date.

Is this only a local factor? We do not know. It is indeed possible, for example, that this moderation has contributed, unintentionally, of course, to the higher level of peasant organization in the locality. In Azangaro, the CNA [National Agrarian Confederation] and the CCP [Peasants Confederation of Peru] make up the Pedro Vilca Apaza Peasant Unity Group. We can imagine that this type of organization and the very active undertakings of the bodies linked with the Catholic church--there are now about 100 communal shops in the department of Puno--will inevitably interfere with the aggressive profile of the Senderist movement.

A less "demented" Sendero for a less "Ayacuchan" zone. However "this" Sendero is also recalcitrant when it comes to dialogue or pacification. It will have nothing to do with the new government--no dialogue, no peace. Instead, blind faith in victory, something we might call sufficient "combat morale," and a belief that "we are better armed than the GC," for which no justification could be provided us.

However, this belief is shared by the new GC officer with whom we talked in a nearby settlement.

This time we will give no description which could identify him, or even the name of the town where our talk took place.

The reason for this is very simple. This man and his colleagues were something more than "happy" on this occasion. Testimony from various individuals warned us that this was a "happiness" which is more or less usual and normal. The drinks inspired confidence, and the man told of his fears about the imminent attack for which his unit would be totally unprepared. Then came complicated tales of drug traffic, smuggling in complicity with higher officers, etc. A frankly painful picture in terms of "combat morale," and a "proper" psychological situation for fostering abuses and outrages against a population which is not understood, and the lack of any real possibility of capturing the "real Senderists."

That night, a pair of Senderists without as many weapons as our officer had feared could have taken the GC post with total ease.

#### Sendero Action in Salinas

Now we were approaching Salinas, the scene of a recent Senderist attack. In the early morning hours on 13 April 1985, the local populist mayor was murdered. There neither was nor is there now a GC post in Salinas. Five hooded men with lanterns, revolvers and a machine gun entered the mayor's house and immediately struck him down. Then the group withdrew to the highway and ambushed a group of APRA [American Revolutionary Popular Alliance] propagandists who were painting electoral slogans on a wall. The members of the group were urged at gunpoint to paint slogans in praise of the Sendero. Nothing more. And of the Sendero, no trace remained.



The widow accused Zenobio Huarsaya Sonoco, a stubborn political enemy of the dead mayor and secretary general of the district committee of the United Left. Paradoxically or not, the fact is that at the time of the assassination, Huarsaya was carrying out the duties of the governor of the district, since that official had resigned.

Huarsaya was captured by the army, subjected to endless harassment, taken to Huancane and later to Azangaro, and finally had to be set absolutely free. But no one, naturally, could undo the blows and torture he had suffered.

"The Sendero does not show its face," Zenobio says. "It is we class leaders who are going to be singled out."

From the point of view of the forces of law and order, Zenobio was just one more case. For the people, Zenobio represents one more instance of abuse and heavy-handedness on the part of "the authorities."

But just as Zenobio is a protagonist, so too is the small town of Salinas. Its name is no accident. It was given it by the saltwater lagoon which is one of the main resources of the zone.

The salt is extracted by procedures as ancient as the bells of the local church, dating back to 1732. The salt pits are divided into plots and the salt enterprise pays 2,500 soles for each 50 kilograms of salt taken out. Those who hold these plots--veritable temporary workers during the months of June, July and August--depend upon the salt for a livelihood. The majority are very modest peasants who must pay 60,000 soles per hour to rent a tractor. Must is not the term--rather, they would have to pay. An hour's use of a tractor is now becoming a more or less exotic luxury in the province of Azangaro.

Here in Salinas, as in few places in the country, we saw a real crowd of schoolchildren, suitably dressed in their only uniforms...but without shoes. Here as in few parts of the country, we saw the premises of the medical station absolutely bereft of any medicine or the simplest tool.

Distant Lima

We ended this tour in the little village of San Jose, an hour and a half by motorcycle from Azangaro.

In order to reach San Jose, one must cross the generous lands of the Sallcota and San Jose SAIS. Around the village of San Jose, numerous peasant communities languish, totally deprived of the lands which would seem to be excessive for these heirs of agrarian reform.

Two years ago, San Jose was taken over by a Senderist detachment. The municipality was burned and the entire population was subjected to the advances of the "popular war."

Two years later, some very modest adobe foundations suggest the possible rebuilding of the municipality. The local mine is closed and although roads

have been laid out, these plans remain on paper. This community is so forgotten that candidates did not even come here during the last electoral campaign.

Today, however, things are not so bad. A Ministry of Agriculture official got together a group of peasants. They have done work on an irrigation canal, and they will be paid 10,000 soles per day of work. They have worked 20 consecutive days. For many of those awaiting the blue bank notes, this is the first paid work done this year.

It was also not such a bad day either because I was the first journalist to visit here in the memory of the old people, and there are a number in this village.

When I showed my identification, a crowd gathered. "Do you come from Lima, sir?"

"Yes, I do."

"Ah. Then would you please take a message to Dr Alan Garcia?"

"You will forgive me, but I never see Dr Alan Garcia."

"But you come from Lima, and Dr Alan Garcia is there."

Finally, I recorded their halting message. I could not make them understand that Lima is not like their little corner of the nation, and that the president of the republic is not my neighbor in the way that they are all neighbors. After all, it is indeed true. I am a "journalist gentleman from Lima."

This was their message:

"On behalf of all of the unemployed people in the district of San Jose, we ask that the government provide us with support in the exploitation of the mines which are abandoned here, to support our children, since the cost of living is pressing us too hard. Our village is in a corner of the department of Puno. We have been forgotten by the authorities. We need electric light. We need a road through the forest. We need more land. The population is growing but the land does not."

Mr President, you have been advised.

#### Senderist Attacks

The Sendero made its presence rudely felt in Puno beginning in August of 1981, with an attack on the Rural Education Institute in Juli. The following is a list of the attacks subsequent to that date.

On 15 August 1982, an attack on the GC post and the medical station in Umachiri.

On 22 August 1982, an attack on the Sollocota SAIS in the province of Azangaro.

In September of 1982, the GC post and the Azangaro subprefecture premises were dynamited.

In December of 1982, attacks in Putina, Ayrapuni and Munani.

In 1983, attacks in San Jose (burning of the town hall) and Salinas.

In July of 1984, attack in Tirapata.

In October of 1984, attacks on the GC post in Chupa, the Kenemary SAIS in San Anton, and in Murillo.

On 21 February 1985, an attack in San Anton.

On 16 March 1985, attack in Ayrapuni.

On 17 March 1985, attack and "rally" in Chupa.

On 13 April 1985, "execution" of the mayor of Salinas.

On 14 April 1985, dynamite explosions in Arapa.

5157

CSO: 5600/2063

PERU

# INDUSTRIES REACT TO APRA PRICE CONTROL POLICY

Lima PERU ECONOMICO in Spanish Nov 85 pp 13-14

[Text] Price controls, one of the central components of the APRA [American Popular Revolutionary Alliance] emergency program, have aroused a great deal of controversy about their success or failure. While statistically the decline in the inflation rate is evident, it is also true that, faced with an arbitrarily set price structure, businesses are being forced to alter their production plans, thus endangering long-term decisions, because of a distorted market situation of uncertain duration.

The experience of other countries suggests that, when it is impossible to transfer any cost increases to the final price, increased productivity and the introduction of new products in the market usually become the key to many businesses' policies for maintaining their profit margins. In the Peruvian case, strategies are not much different. The resultant distortion in the relative price structure often affects both standards of quality and appearance, meaning greater hidden costs for consumers.

The search for higher productivity is the supposed good side of the control mechanisms. "The first thing we did was to cut both stocks and their turnover time to a minimum," said the production manager of a food supply company. In fact, this has been one of the most common practices in all companies, and it is typical in periods of low inflation.

Sales policies have also been affected; "We have started to reduce accounts payable, to eliminate discounts and special offers, and to shorten payment terms for credit sales in order to improve our cash flow," explained the financial manager of a textile firm. Furthermore, some companies whose products were distributed by retailers which on 27 July sold at prices lower than the distributor's current price on that date, have been forced to seek new distribution outlets. This has happened, for example, with some brands of paints and a certain brand of sausage.

The appearance of "new" products with profit margins which in some cases are two or even three times those of their predecessors has already begun. This is explained by businessmen's uncertainty about how long the "freeze" will

last, and how compensation mechanisms for losses in other, more rigid product lines will work. It is here that "creativity" has been used to the utmost; margarine in different containers; packages of cookies which now contain eight cookies instead of six, but which cost as much as ten should; a smaller amount of toothpaste per tube; shampoo with "miracle" ingredients so that a higher price can be charged; and new types of oil. These are just a few of the countless examples we now find.

Some companies, mainly those that were already experiencing hard times, for whom price controls only meant one more problem, have been forced to take steps--such as disinvestment, the cessation of investment in fixed assets, the halting of spending for repairs and equipment replacement, and a decrease in the rate of production--which could be detrimental to their long-term development.

Another phenomenon we are witnessing is the termination or slowdown in the pace of product lines that, because of the price controls program implemented, have now become "unprofitable." In recent weeks there has been a reduction in the supplies of liquid detergent, fresh milk, chicken and eggs. In the latter case, while a kilo of chicken and eggs did not go up, the price of chicken breasts did increase.

Moreover, businesses which had salary agreements signed in the past, as well as those that will soon have to sit down to negotiate, are in fact not able to meet their commitments or continue the salary policy in effect prior to the government change. "In any case, the labor variable should not be allowed to remain free when a price freeze is implemented," said one economic analyst. In businesses in which the incidence of labor on costs is fairly high, the problem is becoming critical. "After a painstaking attempt to cut costs in a search for higher productivity, we reached the conclusion that the only way to do so was essentially by reducing our workforce," said the head of production of a construction firm, one of the sectors facing the most severe problems. Price controls can only be a temporary measure, as they create distortions in the relative price structure. It is by no means a matter of coincidence that more than 50,000 requests have been filed with the MICTI [Ministry of Industry, Commerce, Tourism and Integration] by manufacturers and businessmen asking that they be allowed to raise their prices. In early November a cabinet committee was established, which was to be responsible for the monitoring and control of price and supply policies. This committee could help to find solutions, though, as always, the best way to avoid solving a problem is to appoint a committee.

7679

CSO: 3348/273

PERU

# MINISTER CONSIDERS PROPOSED BUDGET REALISTIC, ADJUSTABLE

Lima EL COMERCIO in Spanish 22 Nov 85 p A-4

[Text] Prime Minister Luis Alva Castro, who is also minister of the economy, stated yesterday that the administration's draft budget for the next fiscal year, which totals 37.464 billion intis or 37.464 trillion soles, is realistic.

He announced that this budget will be readjusted every 3 months, if necessary, through a supplemental lump-sum credit. This measure, he noted, will do away with the proliferation of similar credits that have been given.

The quarterly supplementary credit will take into account the real possibilities of each fund in the public sector, and will be subject to constant review (even by electronic means) to guarantee the control of the deficit.

The readjusted budget proposal, which must be voted on by the Bicameral Budget Committee of Parliament and submitted to debate in Congress before 15 December, was delivered yesterday by Alva Castro along with the Foreign Debt and Budget Financing bills.

He stated that these documents reflect a desire "to eliminate the monetary illusion, because past budgets were based on macroeconomic assumptions that never came true, and on predictions that had nothing to do with reality."

He explained that a given percentage used to be designated for inflation, the exchange rate, and the growth of production, but these goals differed from all budget projections.

A lower figure than the previously announced budget of 52 trillion soles was obtained through the mechanism of quarterly readjustments, applied for the first time ever.

"We have an initial budget, and we do not commit ourselves (to any more). There is no economic science that shows that the assumptions we make about inflation, the exchange rate or the growth of national production will actually occur the way we say they will," he stressed.

He made these statements in connection with the ambiguity that used to exist, according to him, with the budget figures and the disinformation about the way the economy was developing.

"We ended up with dramatic results, such as the growth of inflation that was encouraged and fed by public expectations," he emphasized.

"The country must be told the absolute truth. It must know what the real possibilities are. There should be no illusions about inflation, which was verging on hyperinflation of 250 to 300 percent."

Inflation is on the decline now, having fallen from 36 percent in the last quarter of the previous government to just 18 percent during a similar period later, although it has not yet been totally defeated.

"But let us not make the mistake of advancing certain inflation figures, when no one can know what things will be like on 31 December 1986," he stressed.

8926

CSO: 3348/241

PERU

## SURVEY OF OPINIONS ON REDUCTION OF MILITARY SPENDING

Lima PERU ECONOMICO in Spanish Nov 85 pp 14-16

[Text] One of the new government's proposals for international policy that could have a major effect in the economic area is the one concerning cuts in military spending. "We are not enemies of one another," remarked President Garcia in his message upon taking office. "Social urgency forces us to limit our spending on weapons," he declared 2 months later, before the United Nations. In both instances he called for a regional agreement for reducing the spending on weapons, and offered (as proof of the seriousness of his proposal) a cut in the purchase of Mirages airplanes from France. Foreign Minister Allan Wagner's recent visits to Quito and Arica show that the president is determined to gain concrete achievements in this area as soon as possible.

It has been estimated that, at the present time, Latin America is allocating approximately 2 percent of its GDP for spending associated with defense; for which purpose it annually imports \$2 billion worth of weapons. Based upon these two indicators, Peru is one of the countries which, from a proportional standpoint, appropriates the most funds for military spending. During the past 15 years, Peru's military budget has absorbed between 4 and 5 percent of the GDP, as well as 20 percent of the foreign debt contracted. Although this may be explained by the country's peculiar geopolitical context, it also means that Peru is among the countries that could gain the most from an easing of tensions. A study by the American political scientists Henry Dietz and Karl Schmitt, published in INTER-AMERICAN ECONOMIC AFFAIRS in 1984, estimates, for example, that if Peru had appropriated during the 1970's the proportion earmarked by Mexico for military spending: 0.5 percent of the GDP, it would have been able to double the spending on education, and triple that on health. At present, for example, a 10 percent reduction in the defense budget bill for 1986 (which totals 12.6 billion soles) would make it possible to almost double the amount allocated for the agricultural sector.

The main precedent for a regional agreement on curbing military spending was the Declaration of Ayacucho, signed on 9 December 1974, in which Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Peru and Venezuela pledged to "create conditions that will allow for effective arms limitation and put an end to their purchase for offensive military purposes, so as to devote all possible funds to the economic and social development of each of the Latin



American countries." The Declaration was followed, during 1975 and 1976, by a series of meetings of Andean Pact experts which were thwarted by Chile's withdrawal from the Pact in 1976. Nevertheless, according to one of the Peruvian experts who took part in the meetings, "the progress achieved is a good foundation for resuming the talks." Prominent among the preliminary agreements reached is the creation of a regional agency to control and check defense spending, the signing of a collective security accord to maintain peace, the increase in cooperation among the military institutions, the banning of certain types of weapons (such as biological, chemical and nuclear) and the setting of maximum limits for other types of weapons. For the latter categories, the expert commissions approved individual lists of weapons in each case.

Although no agreement was signed in 1976 to limit military spending, Peru reduced its rate of purchasing new weapons, owing mainly to the fact that, during the period 1973-75, it had made a large group of purchases, to the point where Chile seriously feared the possibility of an attack by Peru.

Apart from the considerations of defense against a possible international conflict, there is a series of factors influencing the purchase of sophisticated weaponry. The most important one is surely the pressure brought to bear by the suppliers, who usually foster corruption in the armed institutions themselves. The mass production of weapons with increasingly advanced technology in the industrialized countries has prompted the latter to offer less sophisticated light weapons to the developing nations on very advantageous terms (both financial and from a training standpoint). Obviously, strategic considerations play a very important role in the competition among the supplier countries to sell their products in the Third World. The Soviet Union, France, the Federal Republic of Germany, Italy and the United States, in that order, are the leading suppliers of arms to the Latin American countries.

Among the nations of the region, the leading supplier is Brazil, and its main client is Chile; which is explained by Brazil's decision not to take part in the arms embargo set up against Chile after the coup d'etat in 1973. For Brazil, and to a lesser extent, Argentina, and Chile itself, arms exports are a major source of foreign exchange. Other countries, such as Peru, do not aspire to export on a mass scale, but they do want to replace imports. Since 1983, the Army has had a munitions factory in Huachipa, and plans to assemble armed vehicles in the former Moraveco facilities. SIMA [Maritime Industrial Service] has already assembled two Lupo-type frigates, with Italian advice, and the FAP [Peruvian Air Force] plans to assemble Aermacchi aircraft, also Italian.

Domestic policy factors also usually contribute to sizable weapons purchases. Much of Colombia's military effort, for example, has been aimed in recent years against the counter-insurgent battle. The same thing is starting to occur in Peru, although the prevailing orientation is still toward a possible conflict such as the one which took place in 1981 on the northern border. Moreover, the

history of Latin America is replete with occasions on which unconscientious governments have relied upon imaginary threats from abroad (if not real attacks) as the easiest means of arousing the far-removed "national unity." Finally, there is the fact that every institution generates its own demand. The eagerness of the armed institutions to be on the frontier of technology has prompted them to constantly pressure for more funds with which to purchase the most sophisticated models of the entire gamut of weapons.

Underlying any proposal for disarmament there is a problem of confidence. Peru arms itself because it fears a possible attack from Chile and/or Ecuador; and the same thing holds true of those countries, with respect to Peru; if one considers the fact that Ecuador has no border problems with Colombia, and Chile has already solved its problems with Argentina. Therefore, without overlooking the effort for an agreement on the South American or Latin American level, which would take time to materialize, the Peruvian Foreign Ministry has decided to concentrate on achieving an easing of tensions with Ecuador and Chile. The Ecuadorean public received Allan Wagner's visit favorably, and the Ecuadorean president, Leon Febres Cordero (who considers it possible to achieve an economic boom in his country during the next few years) appears willing to review pragmatically the policy that his country has been pursuing with regard to Peru. Chile, for its part, has virtually completed a large portion of the projects in Arica, and those pledged in the Treaty of 1929 (it has built the dock and the customs agency, and the Tacna-Arica railroad station is the only one lacking). The turnover of these projects to Peru could contribute greatly to the easing of tensions between the two countries. Finally, the Peruvian public widely supports these proposals. According to a poll taken by APOYO, Inc, over half of the Lima population thinks that Peru's military spending is excessive; three out of every four persons polled would favor a regional agreement for reducing spending on arms; and only one out of every 18 thinks that Peru should attack a neighboring country to gain or recover territory.

(1)

**¿Estaría usted de acuerdo con un convenio regional para reducir el gasto en armamento en América del Sur?**

(2) Respuestas	Total	Nivel (3) Alto (4)	Nivel Medio (5)	Nivel Bajo (6)	Pueblos Jóvenes
Si (7)	76.7	79.2	74.9	76.9	77.8
No	14.0	17.8	13.4	13.2	15.2
No sabe (8)	9.3	3.0	11.7	9.9	7.0
Base 100%	100.0	100.0	100.0	100.0	100.0

(9)

**¿Cree usted que el Perú debería atacar a algún país vecino para ganar o recuperar territorio?**

(2) Respuestas	Total	Nivel (3) Alto (4)	Nivel Medio (5)	Nivel Bajo (6)	Pueblos Jóvenes
Si (7)	6.9	5.0	4.1	7.6	10.8
No	85.2	94.1	85.2	83.1	86.1
No sabe (8)	7.9	0.9	10.7	9.3	3.1
Base 100%	100.0	100.0	100.0	100.0	100.0

(10)

**En su opinión, el gasto militar que hace el Perú es:**

(2) Respuestas	Total	Nivel (3) Alto (4)	Nivel Medio (5)	Nivel Bajo (6)	Pueblos Jóvenes
1. Excesivo (11)	52.1	27.7	48.5	57.0	39.5
2. Adecuado (12)	34.0	57.4	40.9	28.5	23.4
3. Insuficiente (13)	6.2	9.9	4.8	5.2	9.5
4. No sabe / No responde (14)	7.7	5.0	5.8	9.3	7.6
Base 100%	100.0	100.0	100.0	100.0	100.0

(15)

Fuente: Encuesta realizada por Apoyo S.A. a una muestra representativa de Lima Metropolitana compuesta por 1,034 personas. Nivel de confiabilidad 96%. Margen de error 4%.

(16)

Fecha: Del 1 al 5 de Agosto de 1985.

Key to Chart:

1. Would you approve of a regional agreement for reducing arms spending in South America?
2. Responses
3. Upper level
4. Medium level
5. Low level
6. New settlements
7. Yes
8. Don't know
9. Do you think that Peru should attack any neighboring country in order to gain or recover territory?
10. In your opinion, the military spending carried out by Peru is:
11. Excessive
12. Suitable
13. Insufficient
14. Don't know/no answer
15. Source: Poll taken by APOYO, Inc, among a representative sample in Metropolitan Lima consisting of 1,034 persons. Reliability level: 96 percent. Margin of error: 4 percent
16. Date: From 1 to 5 August 1985

2909

CSO: 3348/272

PERU

DEPUTY REPORTS ON TRIP TO ARGENTINA, PROSPECTS FOR TRADE

Lima EL NACIONAL in Spanish 13 Nov 85 pp 5-7

[Interview with Remigio Morales Bermudez, APRA [American Popular Revolutionary Alliance] deputy and deputy chairman of the Bicameral Budget Committee, by Jorge Torres; date and place not given]

[Text] [Question] How can you explain the accomplishments and success of this visit to Buenos Aires, Deputy Morales Bermudez?

[Answer] First of all, there is one very important political result, which is internal and external as well, with respect to integration with Latin American countries. Concerning the former, the delegation was multipartisan and the opposition, after observing the effort made in the different negotiations in Argentina, supported the government's work.

[Question] How can one interpret the Argentine attitude of support for and cooperation with Peru at a time when the United States wants to declare the Peruvian debt "of deteriorated value"?

[Answer] That is tangible evidence that the policy followed by the country on the foreign debt is coherent, because we are not against the international organizations, the integrationist programs of cooperation, but rather, we are specifically against the policy of the International Monetary Fund. Proof that we are not isolated can be seen in the decisive results of support which the government has had from the Andean Reserve Fund (FAR), the Federal Republic of Germany and now, Argentina. Another conclusion is that in our own nearby reality of the Latin American countries, there is a solution for our problems. In the protocol signed with the Argentine Government, in addition to the financial agreement for \$100 million for the importation of food -- representing one-fourth of the total imports for food -- we managed to have the existing credit for capital goods and railroad equipment used for more social and productive purposes, such as the importation of capital goods for agriculture and food, as well as for agroindustry and the development of agroindustry in general.

I must mention that among the capital goods are dairy products, grain and other components, milk dehydrating plants. The exports we could make to Argentina include copper, iron, lead, zinc and silver, plus nontraditional products such as canned fish, gunny sacks, soldering irons, articles made out of jute,

alpaca wool and cotton fiber. As far as minerals are concerned, Argentina could involve third parties for copper, zinc, lead and silver, while at the same time ensuring the sale of iron pellets for its own market.

[Question] What other features do the agreements achieved with Argentina during Prime Minister Alva Castro's visit have?

[Answer] Within the framework of the protocol, consideration was given to the development of a national food program which has had great success in Argentina and which could be financed through the exportation of products that Argentina requires and that are not essential to us. From that country, we would import food products widely consumed by our people. In addition, we managed to confirm Argentina's interest in importing Peruvian iron, which means that we would be opening up a new market for Peru. In other words, on the whole, it is not only a credit of \$100 million that would provide Peru with a reliable food supply, but this also involves very strong political relations between our countries, which will be represented by a standing committee at the highest level between our two countries.

[Question] That Argentine credit will not put the country more in debt, however generous it might be?

[Answer] This means that Peru will have more working capital in order to handle the timely arrival of products for food for the people. The great advantage is that this working capital, granted by Argentina, can be at a very low rate of interest with the exportation of our own products, which is not true of a commercial bank credit. Actually, it is part of a program of commercial technical cooperation between the countries and the results are so important that a high-level standing committee was set up to coordinate, I repeat, the creation of committees at the highest level in the economic and social sectors of the two countries.

[Question] Deputy Morales Bermudez, how do you explain how a country such as Argentina, with a foreign debt of \$50 billion, far greater than that of Peru, can lend us that aid or cooperation?

[Answer] That possibility of Argentina is backed by the fact that this program of cooperation will be of mutual interest to both nations. For example, you can see that the developed world has devalued the importation of wheat from Argentina by the mechanism of dumping and we import wheat. It is better for Argentina to export it to Peru, in that case, and for us to pay with products whose prices are subject to mechanisms on which we depend, thereby providing comparative advantages for both countries. One might also consider the case that Argentina's possibility of competing technologically with other more developed countries might end. In that case, their technology would be most suitable for Peru's situation because it is important for us to consider it within the program of cooperation.

[Question] Is it possible to carry out a similar program with other Latin American countries?

[Answer] This program of cooperation has to be developed with other Latin American countries also because the surpluses of technological food production from one country may be urgently needed in the very Latin American area. It is then a matter of a distribution of the income from resources and technology in a real program of integration.

[Question] Could you tell us what other fields of specific cooperation exist within that framework?

[Answer] In addition to the food program that can be developed with Peruvian and Argentine agrofood production and in addition to trade in medicines, there are other important sectors such as mining, investments in oil and nuclear energy, the fishing sector and the modernization of the Peruvian fishing fleet. The flow of payment through mechanisms based on products and surpluses generated by these technical cooperation programs is spread over a period of 3 years, with six equal transfers (equal installments) within 9, 12, 18, 24, 30 and 36 months after each operation is completed. It is very important to emphasize that this agreement, with respect to the credit flow, would replace any reduction in short-term lines of credit that would exist if part of the debt should be declared to be of "deteriorated value," which has not yet occurred officially.

[Question] Does this then mean that if Peru loses certain possibilities because of the decision of the United States, another very favorable door has been opened?

[Answer] This attitude on the part of Argentina could be taken as integrationist in terms of the solution we must face together with respect to the foreign debt. In addition, it shows that while Argentina's debt is different in amount from that of \$13.5 billion of Peru, the structure of the problem, meaning ability to pay, is the same. That is why it has been said that if there is mathematical agreement on the total ratio of exports and debts in Latin America, in the specific case of Peru, then why should there not be political agreement also? We know that in Argentina, the Baker Plan, more than a proposal, is an inadequate response to the problem of the foreign debt, and given the similar indexes that exist in every country in Latin America, the final solution would be reorganization of the foreign debt.

[Question] This also shows that integration is a tangible reality, however much one might speak about inadequacies and many obstacles to the regional and subregional integrationist process?

[Answer] Indeed, integration is fully underway. It was at Peru's prompting that within the bans and preliminary licenses recently arranged mutually, Argentine products negotiated with Peru within the framework of the Latin American Integration Association (ALADI) would be exempt from bans and preliminary licenses.

[Question] What can you tell us about future new fields of cooperation?

[Answer] There will also be meetings between maritime officials in order to improve conditions of bulk ocean shipping. They will also consider integration,

not only in the technological and commercial field, but the industrial area as well. Working committees will complete studies making it possible to initiate negotiations to establish industrial free zones between both countries.

[Question] Allow me to insist, Deputy Morales Bermudez: Has political integration thus been achieved with Argentina?

[Answer] I believe that what we have achieved between the two countries has very important political connotations, especially if, as we know, there is, in the case of Peru, the problem of the foreign debt. In addition, if we emphasize that under these circumstances, the Argentine Government has awarded the Order of the Liberator Jose de San Martin with the Grand Cross to Prime Minister Luis Alva Castro, who headed Peru's delegation, then you undeniably have political support. One should also mention the meeting of Prime Minister Alva Castro with Nobel Prize winner Franc Modigliani, who found great pragmatism and similarity between the Peruvian plan of economic stabilization and the Austral Plan of Argentina. He was most interested in visiting Peru, as a result of which the chairman of the Council of Ministers extended an invitation from our government. Preliminary plans have been made for the meeting of the Group of the 24 to be held in Argentina in February 1986 for the purpose of considering the foreign debt.

[Question] What significance do you give to these agreements between two democratic governments that are also very close ideologically, since they are two social democratic governments in Latin America?

[Answer] These are the results within the ideological framework represented by the governing party in its formulations that Victor Raul Haya de la Torre recommended with respect to the realization of a functional, integrationist democracy in Latin America.

11,464

CSO: 3348/219



PERU

## MINING SECTOR PROPOSING RELIEF MEASURES

Lima PERU ECONOMICO in Spanish Nov 85 pp 5-6

[Text] The mining sector (provider of nearly 50 percent of the country's foreign exchange) has been experiencing a difficult situation stemming from the freeze of the exchange rate and the shortage of financial resources, as well as an increase in the price of its equipment and a downward trend in international mineral prices.

The business owners in the sector have already notified the authorities that the prices of equipment used by the mining industry have been rising at a rate greater than that of inflation; and hence the 12 percent devaluation in August has proven insufficient to offset the higher costs. Nevertheless, since the miners think that a corrective devaluation is rather unlikely under the current circumstances, they have started proposing alternative compensatory mechanisms. Also, over the immediate term, they have been requesting financial resources to solve their cash problems.

As for the compensatory mechanisms, one of them would consist of extending tax credit to the mining sector by way of the general sales tax, a benefit enjoyed by other sectors. Similarly, since there is a possibility of establishing tax stability contracts for the respective investment programs, they are requesting that the handling thereof be speeded up, so that they may result in an effective mechanism.

Another demand consists of the definitive shelving of expired, abandoned or cancelled mining rights. It so happens that, normally, the notice of termination of mining rights is given overestimating the development area, leaving large expanses abandoned thereafter. There are also areas the termination notice for which was given a long time ago, and which are no longer being developed. A revision in this respect would promote the termination notice and investment in new areas.

On the other hand, since the Mining Bank currently retains directly the income from exports to deduct customs duties, the miners are requesting mechanisms that would enable them to have, on time, the minimal amount of foreign exchange required to make payments abroad.

The authorities in the Ministry of Energy and Mines, for their part, have devised a set of mechanisms aimed at promoting the sector's reactivation, which are on a waiting list for discussion with the rest of the economic team.

The first one consists of a financial rearrangement that would begin with the reorganization of the Mining Bank. This would take place in cooperation with the ministry and the sector's business firms, to prevent duplication of effort on the one hand and, on the other, its continued use as a "loan fund." It would affect the collection of funds and the effort to promote and direct the small-sized miners in technical areas; and there would be an attempt to improve the evaluation of projects. Next, steps would be taken to refinance the Mining Bank's debt to the Bank of the Nation, amounting to \$100 million, associated with the loans from the Mining Compensation Fund (FOCOMI). This fund was devised to provide funds to the companies faced with problems caused by price reductions on the international market. Nevertheless, when the price reductions became widespread, the criterion for allocating funds lost validity, and the funds were soon depleted. Through the aforementioned financing (\$100 million) and a loan arranged with MINPECO [Peruvian State Mineral Marketing Company] and BCR [Central Reserve Bank], which would make it possible to ensure an additional \$30 million, the Mining Bank could have \$130 million available for its future loans. These funds would give the bank a major respite, in view of the fact that its total loans as of 15 September 1985 alone amounted to 15 percent of that sum. Insofar as the debt to the Bank of the Nation is concerned, the MEF [Ministry of Economy and Finance] has not yet decided whether the debt will be assumed by the state, for which consideration would be given to including it in the Financing Law, or whether a Mining Promotion Fund consisting of 3 percent of the value of mining exports, which has already been deducted as a tax, will be established.

On the other hand, the bank will undertake a new administrative system for its portfolio: "From now on, the customs duties will no longer be deducted directly from the companies' exports; but rather, they will first be allowed to meet their operating expenses, so as later to collect the interest and amortization on the principal," explained the vice minister of mines, Roger Arevalo. Nevertheless, it must be realized that the prospects for mineral prices are not very encouraging; and hence the recovery of those loans will be no easy task. Furthermore, this will require strict control of the companies' operating costs, to prevent them from becoming artificially inflated.

Since, "anyone who asks something of heaven and asks for little is crazy," the Ministry has also been proposing a reduction or exemption for the taxes levied on the cost for those companies which are currently unable to meet their operating expenses. To be included in this reform would be the tax on salaries, that on exports, the 2 percent on imports and those levied on the consumption of water and electric power, among other things. Nevertheless, the justification for these exemptions is weak; and, owing to the national treasury's requirements, it would be very difficult for them to be accepted.

In any even, the sector's situation is not very encouraging. One of the measures that has evoked the most dissatisfaction is the compulsory subscription of

Treasury bonds up to 40 percent of the profits accrued during fiscal year 1984. The bonds are redeemed 3 months after they have been subscribed and earn interest (not exempted from the income tax) of 26.5 percent, which is compoundable on a quarterly basis. Some financial entities (such as the Bank of Credit) have already begun purchasing them for 96 percent of their face value.

Various reasons have been put forth by business owners to explain its unfeasibility. The financial manager of a medium-sized mining company claims: "It is a discriminatory, retroactive measure; there can be no taxation based on past profits which have already been properly drawn." However, the vice minister of mines does not think so: "The law takes as a reference only the profits of the previous year. What is involved is that the stockholders who had profits underwrite a debt to the state. They can request a loan and assume the financial cost for aiding the country during this period of crisis."

In any event, the conflict appears to lie primarily in the parameter used (the 1984 profits), which in some instances may not bear any relation to the companies' current situation.

In fact, metal prices have registered a decline between December 1984 and September of this year. Business firms which showed gains last year might be losing now.

2909

CSO: 3348/272

PERU

# U.S. BANKS ACCUSED OF COMPLICITY IN CPV PURCHASE OF TWO SHIPS

Lima EL NACIONAL in Spanish 25 Nov 85 p 2

[Text] The involvement of U.S. banks and the improper participation of the former minister of economy and finance, Carlos Rodriguez Pastor Mendoza, in the irregular negotiations for the CPV's [Peruvian Shipping Corporation] purchase of the ships "Pachitea" and "Mantaro," were revealed yesterday by parliamentary sources.

This international plot was harmful to Peru's interests. According to the legislative sources, the U.S. banks were actively involved, forming phantom companies that were set up in Panama, in order to oversee the process of purchasing or leasing these ships.

It has been determined that the CPV's former general manager, Sandro Arbulu Doig, along with two American bank officials, whose names were not released, were actively involved in these activities, as the banks provided funds for the purchase of the two ships of Italian origin.

"There was a definite economic plot to get Peru to sign contracts detrimental to our interests. These contracts favored the U.S. bankers, as the ships were purchased with money coming from U.S. banks, which then sold them to the CPV at almost twice the original price," these sources told EL NACIONAL.

Tomorrow a special commission chaired by the APRA [American Popular Revolutionary Alliance] deputy, Alfredo Montenegro Oliva, will meet to decide on the request for constitutional charges against the former ministers of transportation and communications, Fernando Chaves Belaunde and Carlos Pestana Zevallos.

It was reported that Arbulu and Chaves Belaunde, along with some other officials in the former administration, were only puppets, as the U.S. banks were most heavily involved in this plot.

Arbulu, with other officials of the former administration, is now being tried in the Callao courts. He had the contacts necessary to set up such companies in Panama, which acted against Peru's interests.

## Rodriguez Pastor Accused

Rodriguez Pastor's involvement moved to a second phase when he allowed the CPV's debts to be converted into part of the foreign debt, thus adding \$60 million to Peru's overall indebtedness.

It is possible, these sources said, that the special commission which is investigating the CPV case may in its final report recommend that a constitutional indictment be filed against the former minister Rodriguez Pastor.

## Commission to Meet Tomorrow

The special commission investigating the possibility of constitutional indictments against the former ministers Chaves Belaunde and Pestana Zevallos will meet tomorrow, Tuesday [26 November], at 1700 in the legislative complex. Chairing this commission will be the APRA representative, Alfredo Montenegro Oliva. Its members are; Enrique Chipoco Tovar and Jorge Sanchez Parfan, along with the leftist Jose Luis Alvarado Bravo, and the populist Victor Alfaro de la Pena.

The first person called by the special commission is to be the IU [United Left] deputy, Manuel Dammert Egoaguirre, who with the deputy Manuel Cortez Fernandez, is one of the ex-ministers' accusers. Later Chaves Belaunde and Pestana Zevallos will be called to defend themselves.

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PERU

# MICROCOMPUTERS TO CUT TIME REQUIRED FOR OIL STUDIES

Lima EL COMERCIO in Spanish 25 Nov 85 p A-3

[Text] In the very near future, Petro-Peru [State Petroleum Agency] plans to acquire microcomputers in order to reduce by 70 percent the time required for projects and studies related to the exploration and locating of oil wells, if done by conventional methods.

This was announced yesterday by the supervisor of Petro-Peru's Data Bank Division, Oscar Miro Quesada Rivera, who is also Peru's representative to the South American Commission of Cogeodata, which on Tuesday, [26 November] will open its third symposium. Its main topic is to be: "Computer Applications to the Search for Energy Resources."

He indicated that, unlike other occasions when computers have been used for administrative duties, this time they will definitely be used for technical functions. Six microcomputers are to be used by the exploration-production unit that will begin to operate next March.

He mentioned that these microcomputers will be connected with the Data Bank's central system. He said that similar computers will shortly be purchased for other divisions, especially geology.

With these microcomputers, he said, it will be possible to carry out specific projects quickly, processing information much more rapidly, and giving technicians more data for a better evaluation and analysis. "This will save both money and time," he added.

He noted that in recent years Petro-Peru has made great advances by using computers.

He also indicated that the importance of computers will be discussed starting tomorrow at Cogeodata's third South American symposium, which will last until Friday.

At this symposium, to be held in Petro-Peru's auditorium, 33 papers will be presented (12 of them foreign). In addition to the South American representatives, there will also be delegates attending from the United States, France, Italy, Germany, and Norway.

"The principal objective of the symposium is to discuss our experiences with computers in handling geological and geophysical data. This will promote the transfer of technology and the spread of information among the delegates from the member countries," he added.

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PERU

## ITALIAN TECHNICAL AID TO BUILD 200-MILE FISHING FLEET

Lima EL COMERCIO in Spanish 15 Nov 85 p A-3

[Text] Peru is negotiating with the Italian Government on technical assistance for the construction of boats able to fish as far out as the 200-mile limit. Their catch would be for direct human consumption, Javier Tantalean Arbulu, chief of the National Planning Institute (INP), revealed yesterday.

The official noted that Peru does not yet require a deepsea or trawler fleet since it does not intend to fish in the seas of Namibia or other oceans of the world and "because we have the fish here, 10, 20 or 30 miles offshore."

Tantalean Arbulu said that Italy will provide technical assistance and the fishing boats in order to improve the quality of fishing done.

He observed that one of Peru's main problems with respect to the fishing fleet is the lack of a national flag fleet that can fish industrially for direct human consumption "because what we have developed and what we now have is for indirect human consumption," he added.

Tantalean recalled that the fishing contracts which the previous government concluded with the Soviet state enterprise Sovrybflot have expired and that in the future, the Ministry of Fishing will work out an emergency contract for the catching of a maximum of 60,000 tons within a period of 4 months.

### 200 Miles

The head of the INP said that there are two types of fleets: one to occupy the 200 miles and another for international waters.

"What we need is a fleet to fish within the 200 miles with a capacity of 400 to 500 tons, not huge boats because the fish are nearby," he said.

Tantalean added that a deepsea fleet is justified when a country wants to fish with special permits or contracts, as in the case of the Soviet fishing fleet, which fishes off the Peruvian 200-mile limit thanks to an agreement signed in 1972 with the military government and which is renewed periodically.

Concerning the contract now being negotiated by the Ministry of Fishing with the Soviet Government, he said that it is an emergency situation because the



basic problem is that Peru has no fleet fishing for direct human consumption, meaning that it would catch the volume demanded by the population.

"What we have is a fleet of small boats that fish for anchovies and sardines from which fish flour and oil are made and taken, while we need a large industrial fleet to occupy the 200 miles," he said.

He also recalled that the fish supplied by Soviet boats is frozen, especially yellow jack and other species basically taken by cold storage facilities in the mountains.

#### OLDEPESCA Experts

For their part, experts in fishing for human consumption from the Latin American Fishing Development Organization (OLDEPESCA) said yesterday that one should not consider only the sea as a source of protein because the country's lakes and rivers and fish hatcheries could easily complement the supply of fish for human consumption.

They added that while 14 large fishing boats are put afloat again, something of a miracle, it is possible to follow trout breeding programs using cages, as is done in Lake Titicaca.

They noted that the first harvest of trout in cages yielded 40,000 kilos. A second harvest doubled the volume going to the people of the Peruvian and Bolivian Altiplano.

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PERU

#### BRIEFS

**TIN PRODUCTION RISING**--Although tin production in Peru was not very significant in the past, in recent times its levels have risen, achieving a growth rate of 35.4 percent a year. This makes for a very promising future in this field, according to studies conducted by mining specialists. These specialists have undertaken explorations and tests and have found considerable deposits of tin in the departments of Puno, Ancash, Apurimac, Cajamarca, Lima and Pasco. Puno is where most of this mineral is found, especially in the provinces of Sandia, Huancane, Lampa, and above all Melgar. The San Rafael deposit, which is in full production, is located in the latter province. The results obtained from that deposit so far indicate that Peru could be an excellent producer of tin. The initial figures obtained in recent years suggest that it will occupy a major position among world tin suppliers. This mine is located in the snowy Quenamari area of the eastern mountain range in southern Peru, in the district of Antauta, province of Melgar. The production total of more than 2,000 metric tons a year is a significant demonstration of the potential tin mining has in Peru. The San Rafael unit was begun by the national mining enterprise MINSUR. Total production tripled between 1970 and 1977, from 100 tons to 300 tons of tin. By 1980, production had exceeded 1,000 tons, and the 1984 figure was 2,991 tons. According to the Geological, Mining and Metallurgical Institute (INGEMMET) in the latest issue of its magazine DE RE METALICA, annual production between 1974 and 1983 experienced a growth rate of 35.4 percent, with an extraordinary jump during the 1978-83 period. It also reports the implementation of a cassiterite flotation plant at the San Rafael unit, which has boosted the metallurgical recovery of tin from 50 percent to 76 percent. [Text] [Lima EL COMERCIO in Spanish 18 Nov 85 p A-9] 8926

**13 GENERALS, 2 AMBASSADORS CONFIRMED**--Last night the Senate confirmed the promotion of five major generals and eight colonels of the Peruvian Air Force to the next highest ranks. The promotions had been proposed by the Executive and reviewed by the National Defense Commission in terms of their legal and professional aspects. As of next 1 January, the following officers will become lieutenant generals of the Peruvian Air Force: German Vucetich Zevallos (whose promotion was confirmed with 39 white ballots and one black one), Cesar Gonzalo Luzzza (40-4), Alfonso Salas Morales (41-2), Juan Hoffman Gonzales (38-6), and Cesar Olivera Fernandez (39-3). The following colonels in the command and combat units of the Air Force were promoted to major general: Juan Burga Bartra (43-1), Jose Poggi Gomez (40-2), Luis Chavez Coronel (40-3), Anatolio

Alegre Pacheco (40-3), Miguel Chahud Rossi (40-3), and Armando Llosa Alvarez (41-2), as well as specialist Cols Edgar Zuniga Larenas (36-3) and Oscar Carrillo Tuesta (39-2). In addition, the Upper House confirmed Roberto Villaran K. and Jorge Guillermo Llosa Pautrat as ambassadors extraordinary and plenipotentiary to the People's Republic of China and Sweden, respectively. [Excerpt] [Lima EL COMERCIO in Spanish 20 Nov 85 p A-4] 8926

GARCIA, BARRANTES CONFER--President Alan Garcia, shortly after arriving from Rome, visited the president of United Left and mayor of Lima, Alfonso Barrantes Lingan, at his home Friday night. The two dined together there, and had a long and cordial talk. This was undoubtedly a very important political event, in that the meeting was a manifestation of the joint commitment to change of two democratic forces of the country's left, one of them (the American Revolutionary Popular Alliance) in government and the other (United Left) in the opposition. The meeting also demonstrated that President Alan Garcia considers Alfonso Barrantes, and none other, to be the only valid interlocutor in United Left (IU). This is logical, since Alfonso is the natural leader of United Left. Thanks to him, this political group has remained united, obtained 1 million votes from the electorate, and exerts a recognized political influence. All of this rises above the petty dogmatism of the leaders of the parties that make up IU, which Barrantes has been able to overcome with authority and class. He has refused, for example, to sign the document on the current government that was drafted by those leaders. Friday's meeting, moreover, confirms Alan Garcia's status as a democratic statesman who is striving for the unity of all Peruvians so that the changes the country needs and he is bringing about can be achieved, and so that the threats to Peru, from within and without, can be confronted. We must not forget that together APRA and IU have the support of more than 80 percent of the electorate. For that reason, as long as the two groups can maintain cordial relations and rise above their differences, the country will be able to progress; neither the right nor the imperialists will be able to prevail over the people. [Text] [Lima EQUIS X in Spanish 18 Nov 85 p 18] 8926

FEWER ARMY GENERALS PLANNED--The war minister, Gen Jorge Flores Torres, who attended the Senate Defense Commission session yesterday to back the forthcoming promotions in his institution, disclosed on that occasion that, in 1987, the Army will have only 70 generals, instead of the 103 that it has at present. He claimed that reasons related to "operativeness" had prompted the adoption of measures to gradually reduce the number of generals to 70, which is advisable for good performance among the military units. He noted that the gradual reduction in the number of generals would not jeopardize the national integrity in any way. He remarked that there are currently 103 generals, 15 of whom are division and the rest brigadier; commenting: "I cannot give you the exact number of generals that we shall have next year, because it is not yet known who will be invited to retire, in accordance with the law." He pointed out that the Army has but few lower-ranking officers, for which reason the necessary measures have been adopted to increase their numbers without having to resort to hastened promotions. At the Defense Commission meeting, chaired by Senator Armando Villanueva del Campo, of PAP [Aprista Party of Peru], Gen Flores Torres reported on the proposal to promote four brigadier generals and 16 colonels. Brigadier Gens Artemio Palomino Toledo, Alejandro Antunez de Mayolo, German Reyes Gonzalez and Julio Velasquez Yacarini have been proposed for promotion to division general. [Text] [Lima EL COMERCIO in Spanish 26 Nov 85 p A-4] 2909

CGCP HOSTS INTERNATIONAL MEETING--An important meeting of Latin American rural workers is to be held in Lima from 28 November to 1 December, under the auspices of the CGCP [General Confederation of Peasants of Peru]. Delegations from a number of countries, including leaders of Agricultural Workers Unions of some socialist states, and representatives of the International Union of Agricultural Labor Unions, will attend this event. This conference, which will discuss major issues related to food supplies, the development of agriculture, and rural workers' rights, will also have the support of the CGTP [General Confederation of Workers of Peru] and of other union and popular organizations in Peru. [Text] [Lima UNIDAD in Spanish 21 Nov 85 p 3] 7679

GOVERNMENTAL APPOINTMENTS--The following people have been appointed to the special commission in charge of the transfer of human and material resources, under the office of the chairman of the Council of Ministers: Jose Ahumada Vasquez (chairman), Oscar del Rio Gonzales, Osman Wong Larenas, Oscar Beuzeville Ferro, Enrique Gomez Rivera, Pedro Galarza Mercado, Javino Villacorta Ruiz, and Ricardo Mendoza Torres. Jorge Serra Guerra has been named director general of budget and planning in the office of the chairman of the Council of Ministers. Alfredo Perez Alcazar has been designated advisor to the Ministry of Industry, and Pedro Mendez Lopez has been named departmental director of industry for Tacna. [Text] [Lima EL COMERCIO in Spanish 17 Nov 85 p A-4] 8926

PARTIES AGAINST ZIONISM RESOLUTION--The highest leaders of the non-communist parties of Peru have signed a pronouncement in favor of the state of Israel; the document has been placed in the hands of United Nations Secretary General Javier Perez de Cuellar. The names on the document include the secretary general of the American Revolutionary Popular Alliance, Armando Villanueva del Campo; Ricardo Amiel, national secretary for organization of the Popular Christian Party; Sandro Mariategui Chiappe, secretary general of Popular Action; Andres Townsend Escurra, founder and leader of the Grassroots Hayist Movement and secretary general of the Latin American Parliament; Luis Negreiros Criado, president of the Chamber of Deputies; Julio Cruzado, secretary general of the Confederation of Peruvian Workers; former Justice Minister Felipe Osterling, and others. The signatories of this pronouncement oppose a resolution adopted by the United Nations a decade ago, which identified Zionism as a form of racism. Democratic Peruvian politicians believe that this UN document is a way of seeking to impugn the legitimacy of the Jewish state, and they therefore call for its derogation. [Text] [Lima EL COMERCIO in Spanish 19 Nov 85 p A-4] 8926

ELECTRO-PERU ANNOUNCES 1986 PROJECTS--Abancay, 15 November--Next year 26 small hydroelectric plants will begin operations in different parts of the country. The Peruvian State Electric Power Enterprise (ELECTROPERU) also announced the implementation of 171 projects throughout national territory in 1986. Major support will be given to the investigation and utilization of the tremendous potential of non-conventional energy in regions that lack electricity, so that they can be provided with usable resources. Of the 26 hydroelectric plants, six belong to the pact signed with the Agency for International Development

(AID); two correspond to the Federal Republic of Germany, and one to the United Kingdom. Two are supplied with Brazilian equipment, 12 with Chinese equipment, and three with equipment from various countries. The plants are in Cutervo, Cajabamba, Pucara, Namora, San Marcos (department of Cajamarca), Pachiza (San Martin), Incuyo, Aramate, Huancasancos and Aucara-Cabana (Ayacucho), Pocohuanca, Chumbao, Chuquibambilla and Pomacocha (Aurimac). In addition, there are the plants in Frias (Piura) and Ocros (Ancash). The list also includes plants in Tantamayo (Huanuco), Santo Domingo de Nava, Hongos, Ravira-Pacaraos, Arcos and Yangas (Lima), Caraveli and Huanca (Arequipa), and Quincemil (Cuzco). It was announced that ELECTROPERU will also carry out 50 projects for hyroelectric power generation, 60 small electrical systems, seven studies on different subjects, and other small projects. [Text] [Lima EL COMERCIO in Spanish 16 Nov 85 p A-16] 8926

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